FINANCIAL TIMES
PUBLISHED IN LONDON AND FRANKFURT
No. 27,764
Monday January 15 1979

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 25; DENMARK Kr 3.5; FRANCE Fr 3.5; GERMANY DM 2.0; ITALY L 500; NETHERLANDS Fl 2.0; NORWAY Kr 3.5; PORTUGAL Esc 25; SPAIN Pts 50; SWEDEN Kr 3.25; SWITZERLAND Fr 2.0; EIRE 15p

NEWS SUMMARY

GENERAL

Two die in new Basque violence

Explosive devices killed two paramilitary policemen in the Basque country and a leading Basque separatist was injured in an assassination attempt.

So far this year ten policemen or soldiers have been assassinated, the militant Basque separartist organisation, ETA, claiming responsibility for six of the killings.

Two extreme Right-wing organisations said they had attacked the ETA leader José Manual Popoaga Gallastegui. He was fired on from a passing van. Page 2

Syria and Iraq merger plan

Syria and Iraq are planning to form a single State "with one name, one flag, one national anthem and one president who will be alternately Syrian and Iraqi" according to Arab diplomats.

In October the two countries ended 10 years of hostility and signed a charter for joint action on political, military, economic and cultural matters.

Cambodia barrage

Vietnamese forces continued their sweep across Cambodia and an hour-long artillery barrage was reported only 10 miles from the Thai border. International relief agencies in Thailand were preparing for an influx of refugees and wounded. Page 2

Shah warns

The Shah of Iran warned generals against staging a coup—at least while the Bakhtiar Government remains in power. The setting up of a nine-man Regency Council brought the Shah's departure a step nearer. Iran has agreed to pay Britain £250,000 compensation for the November 5 attack on the British Embassy by anti-Shah rioters. Page 2

Minister resigns

Turkish Defence Minister Hasan Isik resigned on the eve of the start of negotiations between Turkey and the U.S. on defence co-operation. Page 2

Lester fined

Lester Piggott was fined £500 at the end of Hong Kong's Jockey's Invitation series for "foul riding" in a minor race. He rode three winners during the series.

Steel leaves

Liberal leader David Steel left Salisbury saying the situation in Rhodesia was deteriorating, with support for the internal leaders slipping "through intimidation."

Briefly . . .

Scottish police were trying to trace the source of hydrogen sulphide gas cloud drifting westwards over central areas. Two people were treated for the effects of the gas which has an unpleasant smell but is not dangerous.

Winner of the latest £75,000 premium bond (5MN 750306) lives in Cambridge. The £50,000 winner lives in Staffordshire, winning number 12RP 515219.

Protest rally in Amsterdam against the neutron bomb attracted 6,000 who were entertained for 13 hours by several hundred poets, dancers, singers and other artists.

BUSINESS

UK hope of £15bn China contracts

● BRITAIN is hoping to sign a trade agreement with China which could be worth as much as £15bn following a visit there next month by Mr. Eric Varley, Industry Secretary.

The agreement, covering about five years, would signal China's desire to nominate British industry as a major contractor at the start of its huge industrialisation programme.

Britain has already said that an industrial package is an essential counterpart to a sale of Harrier jump jets and a number of contracts, including steel plant modernisation, are under discussion. Back Page

● IRON FOUNDING industry, now facing a "rather depressing picture," can expect about £400m invested in new projects by 1980 but must move to higher added value products to attract further investments, says a survey. Page 3

● GILT-EDGED investors are moderately gloomy about the UK economy's prospects this year, although cautiously optimistic about interest rates, says a market opinion survey. Page 3

● BRANIFF, which began Concorde sub-sonic services between Washington and Dallas-Fort Worth last week, wants to operate supersonic flights between New York and South America. Back Page

Sovereignty row looms in EEC

● EUROPEAN COMMISSIONERS are to discuss on January 24 a move to impose unilaterally a directive forcing EEC members to notify Brussels of their financial transfers to public enterprises. It could lead to clashes with the British, French and Italian Governments on issues of sovereignty. Back Page

● PRESSURE by the Carter Administration on oil companies has led to leaders of 60,000 refinery workers reaching pace-setting pay deals with Gulf Oil and Amoco within the guidelines. Back Page

● HEINZ food group is to phase out over three years its Standish factory in Wigan and concentrate its production at another plant in the town where some of the 1,150 workers will be absorbed. Back Page

Imitators worry computer makers

● STRUGGLE between International Business Machines and the growing band of imitators was forcing down the price of equipment, says a leading U.S. consultant, and could lead to competitive problems for International Computers and other independent manufacturers. Page 4

● FIVE Japanese groups are to join Comalco and Kaiser Aluminium in developing a new A$500m (£285m) aluminium smelter in Queensland, Australia, with a design capacity of 180,000 tonnes a year. Page 21

COMPANIES

● ASSOCIATED SPRAYERS second-half taxable profits rise from £87,000 to £295,500 boosted the figure for the full year to August 31, 1978, to a record, £397,500 (£139,000). Page 20

● PHOENIX ASSURANCE group's new annual premiums on worldwide life business rose 32 per cent last year from £11.5m to £15.2m. In the UK they improved by 42 per cent from £8.5m to £12.1m. Page 20

CONTENTS OF TODAY'S ISSUE

FEATURES

For latest Share Index 'phone 01-246 8026

Ministers may toughen Price Commission powers

Cabinet to start search for consensus on pay

By RICHARD EVANS and CHRISTIAN TYLER

The Cabinet will meet today and later in the week, not only to assess the heavily disrupted industrial scene, but also to seek a way out of a confrontation with the trade unions that could spell electoral disaster for the Labour Party.

There were increasing signs last night that two issues which have been pushed actively by the TUC—tougher powers for the Price Commission and more flexible wage negotiations for the lower paid—are being resurrected immediately in an attempt to reach a more general consensus between Government and unions.

For even though the road haulage and rail disputes are being given top priority, Ministers are also calculating the price of a peaceful wage settlement with the public service unions. The threat to the pay policy and to the Government's pre-election credibility here is regarded as an even greater worry than the crisis in the transport industries.

The Government is counting on a fairly speedy end to the lorry drivers' strike. This will depend on the success over the next few days of the Transport and General Workers' Union instructions to stop secondary picketing, and its ability to control the negotiations now that the strike is official.

These hopes are pinned largely on the effect of pressure from other sections of the union, from other unions whose members will bear the brunt of lay-offs throughout industry and from public opinion which Ministers are determined to marshall as effectively as possible.

With this hope in mind, Ministers are determined not to give the Road Haulage Association any encouragement to improve its 15 per cent offer. The threat of tougher action from the Price Commission will also be kept in play.

The initial Cabinet aim is to survive the Commons censure debate tomorrow, which looks increasingly probable because of support from the Nationalists and to avoid the declaration of a state of emergency in order to keep the industrial climate as cool as possible.

Ministers are treating the debate as a matter of confidence. This means that if the vote is lost because of the opposition of all minority parties, there would be a February General Election.

More generally, the Prime Minister intends to keep the beleaguered 5 per cent pay guideline as a firm objective, and to continue to threaten the use of fiscal and monetary policies, with their inevitable effect on employment levels, should wage rises force up the level of inflation.

Mr. Michael Foot, Leader of the Commons, admitted in an interview yesterday on London Weekend Television's Weekend World that the Government would have to take action should average wage settlements run out at 12 per cent.

"That action in one way or another would be bound to injure the position of other workers, either by having taxes raised or by cuts in public expenditure," he warned.

In order to maintain some pressure on the private sector now that Parliament has rejected the use of sanctions, Ministers are reviving plans to give the Price Commission more impact by modifying the safeguard clauses for company profits.

They were originally inserted into the legislation by the Conservatives, and Mr. Roy Hattersley, Prices Secretary, has long wished to remove or alter them.

His intention was spelt out during the abortive discussions with TUC leaders before Christmas, and underlined by other Ministers at the weekend. The issue is likely to be discussed by Cabinet today.

At present, it is by no means certain that there would be a Parliamentary majority for removing the safeguard clauses. The best hope for the Government lies in gaining the backing of the Liberals, and there are expected to be informal contacts made this week.

In the public services, where

Continued on back page
Editorial comment, Page 10

Rail men to discuss 20,000 job cuts

By Pauline Clark, Labour Staff

BRITISH RAIL'S biggest union is expecting to be confronted with proposals for as many as 20,000 redundancies today, on the eve of a threatened national rail strike.

Mr. Sid Weighell, general secretary of the National Union of Railwaymen, said last night that the plans for big job cuts in all groups of staff in British Rail would be presented to him in time for an executive meeting of the union later in the day.

The proposals were apparently formulated by BR leaders in a round-the-clock effort this weekend to present the union with details of its productivity plans.

Failure

British Rail hopes that, if sufficient detail of its plans can be given to the union, agreement with the train drivers' union on its own bonus deal may yet be reached in time to stave off the threatened strike.

The Associated Society of Locomotive Engineers and Firemen announced last Friday that the strike on Tuesday and Thursday of this week would go ahead because of the failure to reach agreement on a bonus deal.

British Rail said yesterday that unless the strike was called off there would be no train service from 22.00 hours tonight until Wednesday morning, and again from 22.00 hours on Wednesday until Friday morning. There would be no overnight trains until Friday night, and Wednesday services would also be disrupted.

Progress in negotiations on ASLEF's 10 per cent claim had been made earlier in the week, but abruptly came to a halt when the NUR was angered at the possibility of a deal being reached ahead of productivity talks affecting all other groups of staff in British Rail.

Promote

Mr. Ray Buckton, ASLEF general secretary, met Mr. Clifford Rose, BR's industrial relations director, for lunch yesterday. They were said to have considered informally the union's objections to certain conditions affecting manning, attached to a 6-7 per cent offer.

The redundancy proposals to the NUR, however, seem unlikely to promote the prospect of more peaceful discussions today, ahead of executive meetings to be held by both unions.

Central bank talks settle EMS details

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE EUROPEAN Monetary System will start almost immediately after the French reservations about agricultural subsidies have been lifted. This follows an agreement between the central bank governors of all nine EEC countries which resolves most of the remaining technical questions about the operation of the scheme.

The EMS will start three working days after the lifting of the French objections. But there is a proviso that if this date is towards the end of a month, any central bank can seek to delay the start until the beginning of the next month.

This is one of the key points in a short document signed by all EEC countries at the meeting of central bank governors in Basle last week, though the details have only now become known.

The Bank of England played a full part in these discussions, which highlight the British intention to be involved actively in the development of EMS while not, at present, participating in the intervention mechanism.

France also backed the agreement on the timing of the beginning of the system. This can be seen as further confirmation that the French objections, which prevented the start of EMS on schedule on January 1, are mainly to do with farm subsidies (and French agricultural exports) and do not reflect deeper reservations.

It is still far from clear, though, when the dispute will end. Chancellor Helmut Schmidt of West Germany said on Friday that he felt the matter could be solved before "very many weeks" have passed, but there is growing caution in both Bonn and Brussels about whether the issue should be sorted out at next week's meeting of farm ministers.

The Basle document resolves some, though not all, of the problems associated with the very short-term support under which European Currency Units, composed of a basket of all nine currencies, will be issued against the deposit of a fifth of the gold and dollar reserves held by central banks.

The dollars will be valued at market prices on the two working days before the day of valuation. Gold will be valued at the average price over a period of six months, as set at the two daily fixings in London, provided that this does not exceed the average price at the two fixings on the penultimate working day before the end of the six months.

Stability

But this agreement only covers the creation of the very short-term facility, and the precise role of gold in the lending mechanism remains ambiguous. A dispute has existed between France and one or two other States which want gold to be valued at 80 per cent of its average market price, and the rest of the EEC, which favours a 75 per cent valuation.

The eight currencies to be linked together in the intervention mechanism have hardly moved against each other since the beginning of January. This is a clear indication of central bank intention to maintain stability as if the EMS was in operation.

Indeed, the margins of fluctuation between the French franc and the Italian lira and the five currencies in the snake, the present European joint float, have been so narrow as to confirm the deliberate policy of intervening to iron out erratic movements.

PO $250m standby credit

BY NICHOLAS COLCHESTER

THE Post Office Corporation has arranged a $250m 10-year standby credit with a group of 10 international banks. The facility will act as a back-up for the issue of an equivalent amount of commercial paper in New York.

This procedure for fund raising by a state agency matches that pioneered late last year by British Gas. But the terms negotiated with the banks, led by Lloyds Bank International and S. G. Warburg, are slightly different.

Both agencies borrowed for 10 years at ½ per cent over the London Interbank offered rate. The Post Office will pay a "commitment fee" (for the banks' readiness to provide the funds if required) of ¼ per cent a year in addition to an initial once-oly fee of ⅜ per cent.

British Gas paid an initial fee of only ¼ per cent, but its commitment fee rose from ⅛ per cent to ⅜ per cent after the first five years.

International capital market Page 23

Essential supplies plans working 'reasonably well'

BY HAZEL DUFFY AND ALAN PIKE

GOVERNMENT arrangements for ensuring the movement of essential supplies are working reasonably well, it was claimed. But the Government admitted, yesterday, that the effects of the road haulage strike on industry—whose supplies fall largely outside the scope of the arrangements—would lead to serious dislocation.

Speaking after the first meeting of the chairman of the regional emergency committees, Mr. William Rodgers, the Transport Secretary, said that so far there had been a "substantial improvement" in the movement of essential supplies. A clearer picture of the effectiveness of the committees, however, will not emerge until later today.

Mr. Rodgers also claimed that the incidence of secondary picketing, which has been the key to the unexpected degree of disruption caused by the strike, has lessened since the Government set up the committees on Thursday. Some reports from the regions, however, show secondary picketing is still very strong in places, and Mr. Rodgers admited that, with the docks quiet over the weekend, it is too early to make judgment.

Regional secretaries of the Transport and General Workers' Union met in London yesterday to plan the administration of the strike, including implementation of the decision that picketing should be confined to employers involved in the dispute. But it remains to be seen how successful the union will be in its efforts to end secondary picketing.

Mr. Alex Kitson, executive officer, admitted last night that it might take "a few days or a week" to sort out the picketing issue.

Transport union leaders will today examine approaches which have been made by some haulage employers who are willing to settle on the basis of the strikers' full 22 per cent claim. Mr. Kitson said that "many companies" had indicated that they were willing to reach agreement although he could not yet put a number on it.

Negotiations on behalf of the lorry drivers are not conducted nationally but in 18 areas agreed between the Road Haulage Association and the union. The position of the association is that its 15 per cent offer is final but individual areas have power to reach independent settlements.

The Agriculture Ministry said yesterday that the union's instructions on picketing "are being obeyed generally" and that essential foods like meat, bread, fresh fruit and vegetables are in plentiful supply. Deliveries of food to shops, some 80 per cent of which are carried by distributors' own transport fleets, have been going ahead without much disruption.

But the plight of industry can only worsen. BL's vehicle plant at Bathgate in Scotland will close today while Ford yesterday cancelled the full overtime shift at Halewood in order to conserve components. The British Steel Corporation will review the position at its South Wales tinplate plants today, and Avana Bakeries said yesterday it will be laying off 600 people today.

Details, Page 5

Leading companies set to raise chemical prices by up to 50%

BY SUE CAMERON, CHEMICALS CORRESPONDENT

LEADING CHEMICAL companies in the UK have begun the big push on prices foreshadowed at the end of last year when feedstock costs rocketed.

The Price Commission has allowed Shell Chemicals UK, Imperial Chemical Industries and BP Chemicals to put up the prices of their products by as much as 50 per cent in some cases.

All three companies have now either announced price rises or have opened negotiations with their leading customers on the exact size of the forthcoming increases.

There are signs that ultimate price rises for some chemicals will be even higher than forecast last month. This is because the cost of naphtha—a basic petrochemical feedstock—seems still to be increased and could well level out at £100 a tonne this quarter rather than the expected £90 a tonne. An extra 10 per cent on naphtha costs would normally mean a 20 per cent rise in the price of chemicals such as benzene.

ICI, Shell Chemicals and BP Chemicals are increasing their prices in stages, and further rises can be expected during the year. The average increase for many base chemicals this quarter will be about 20 per cent.

BP Chemicals said yesterday that it was looking for rises of between 20 and 25 per cent in the price of its ethylene and propylene. Its higher density polyethylene is likely to go up by about 10 per cent, and it expects its polystyrene price will increase by a total of about 30 per cent. This last figure will include the abolition of discounts.

ICI, which has had price rises of up to 51 per cent passed by the Price Commission, said yesterday that during the first six weeks of this year it expected its ethylene to go up by about 12 per cent, propylene by 25 per cent, ethylene glycol by 20 per cent, benzene by 30 per cent and paraxylene by 25 per cent.

The group estimates that chemical prices in the UK market will "have risen significantly" by the middle of the first quarter compared to levels in July 1978.

It expects overall increases during this period to be of the order of 20 per cent for ethylene, 25 per cent for propylene, 35 per cent for monethylene glycol and 40 per cent for benzene and paraxylene.

Esso Chemicals refuses to discuss price rises until they have been implemented. But in the final quarter of last year, it increased the price of ethylene by 20 per cent and propylene by 25 per cent.

The chemical companies are confident that these price rises—though large—will stick. Their confidence seems, at last, to be based on concrete foundations.

The cost of naphtha has risen dramatically, and at present, there is also shortage of the chemical. This means that the overcapacity which has plagued the whole of Europe's chemical industry has suddenly become less relevant.

The 14.5 per cent oil price increases announced by the Organisation of Petroleum Exporting Countries last month, coupled with the halt on Iranian oil exports, are also thought to have created a climate conducive to higher chemical prices.

OVERSEAS NEWS

Shah warns his hardline generals

BY ANDREW WHITLEY AND ANTHONY McDERMOTT IN TEHRAN

THE SHAH has warned his leading generals against staging a coup at least while the government of Dr. Shapour Bakhtiar remains in power. In what seems to be the result of a deliberate leak, yesterday's newspapers reported the Shah as telling hardline generals that he would rather leave the country than have them stage a coup that would cause further bloodshed.

The report follows last week's warning from the U.S. State Department that the Americans would not support a coup and were firmly behind the "Bakhtiar solution." A trio of senior generals are known to have seen the Shah earlier in the week to press him to stay on and discard Dr. Bakhtiar.

Over the weekend the Shah's imminent departure came one stage nearer, with the setting up of a nine-man Regency Council. The council, which will have all the powers of the monarchy, is overwhelmingly made up of Shah loyalists including his court minister and his armed forces chief of staff.

Dr. Bakhtiar is expected to chair the council in his capacity as Prime Minister. Set up under article 42 of the constitution, dealing with the Shah's temporary stay abroad, legal experts say this body could not assume power in the event of the Monarch's abdication though it could dissolve Parliament and call fresh elections; or else order the formation of a constitutional assembly to manage a change-over.

Another pre-requisite for the Shah's departure—now expected as early as Tuesday or Wednesday—is the approval of both Houses of Parliament for the new Government. The Majlis (lower house) debate resumed yesterday while the Senate began its session on Saturday.

In the streets of Tehran and other Iranian cities, fresh protests against the regime took place over the weekend, but there were few casualties.

On Saturday a crowd estimated at 100,000 packed into the campus and grounds of Tehran University to hear speeches celebrating the reopening of the university after two months. The Government gave its approval for the reopening on Friday night.

Among the speakers, all of whom expressed support for Ayotollah Khomeini, the exiled religious leader, were Dr. Karim Saujabi, head of the opposition National Front Party, and Ayotollah Taleghani, one of the radical religious leaders closest to Khomeini.

The capital's fuel crisis which has caused considerable hardship and dislocation of normal life, eased in the past 48 hours with the restarting of the Tehran refinery, and arrival of products by pipeline from the South.

Oil production in the main Khuzestan field, picked up towards the end of last week to stand at just over 500,000 barrels a day—60 per cent of current domestic demands—but by yesterday the rate of improvement was slowing down markedly. The principal bottleneck remains the refineries.

The strikers' ban on exports means that the storage tanks at the main export terminal are rapidly filling up with the heavy fuel products turned out by the country's largest refinery at Abadan. This limitation in turn restricts the output of the Abadan refinery, and thus the key middle distilates such as petrol and kerosene available for the domestic markets. Oil industry experts, say internal distribution remains a problem and that purchases from abroad have not been sufficient to meet the import gap of some 345,000 barrels a day.

Terry Dodsworth adds from Paris: Ayatollah Rhomeini said yesterday that he expects an "Islamic state" to be formed in Iran with himself as ruler.

Speaking from his base outside Paris, he said the Iranians did not simply want the departure of the Shah and the disappearance of the monarchy, but the creation of an Islamic State. To pursue these ends, an Islamic Revolutionary Council had been set up in Iran and was operating in secret.

AP reports from Bonn. The West German Foreign Ministry has advised families of West German workers and other German citizens with non-essential business to leave Iran by Thursday at the latest.

The Ministry gave no explanation for the deadline but it is thought that it could be linked with the Shah's impending departure.

Turkey's Defence Minister replaced

HASAN ISIK, Turkey's Defence Minister, resigned yesterday—shortly before the opening of negotiations with the U.S. on a new defence agreement. Metin Munir reports from Ankara. Mr. Bulent Ecevit, the Prime Minister, has named Mr. Neset Akmandor as the new Minister. Mr. Akmandor, aged 57, is a Senator and former engineer.

Mr. Isik, former Ambassador to Paris and Moscow, is believed to have resigned because of disagreements with the Prime Minister. He was also unhappy because Mr. Ecevit by-passed him in dealings with the general staff. The two men differed on their approach to the new Turkish-U.S. agreement on which talks open in Ankara on Wednesday. The previous agreement was unilaterally abrogated by Ankara more than three years ago when the U.S. Congress imposed an embargo on arms supplies to Turkey. The embargo was lifted last year.

Mr. Isik is the second Cabinet Minister to resign in less than a fortnight. The first was Mr. Irfan Ozaydinli, the Interior Minister. Mr. Ecevit replaced him yesterday with Senator Hasan Gunes.

Hanoi accuses China

Hanoi has accused China of sending two warships into Vietnamese waters and provoking almost daily border clashes since the fall of Phnom Penh, Reuter reports from Hong Kong.

The Vietnam News Agency reported yesterday that the Vietnamese Foreign Ministry had sent a protest note to the Chinese embassy in Hanoi warning Peking that it must bear full responsibility for the consequences.

Meanwhile Thailand agreed yesterday to take in about 400 wounded soldiers of the defeated Cambodian regime on humanitarian grounds, AP reported from Bangkok. Acceptance of the wounded was said to have come after pressure from China.

Namibia mission

Mr. Martti Ahtisaari, the United Nations special envoy, arrived in Johannesburg yesterday for talks on the operational requirements of a UN force to supervise Namibia's transition to independence, Reuter reports. Mr. Ahtisaari is going to Namibia (South-West Africa) today for talks with the South African Administrator-General of the territory, Judge Marthinus Steyn.

Rhodesia call-up plea

Following-up an announcement extending the Rhodesian call-up of whites for military service to cover the 50-59 age group, a Minister in the transitional Government has appealed to men without a military commitment to volunteer for service, Tony Hawkins reports from Salisbury. Mr. Chris Anderson, co-Minister of Law and Order, said that such men had a "moral obligation" to join the fight against urban terrorism.

Pakistan 'sound'

PAKISTAN'S Finance Minister, Mr. Ghulam Ishaque Khan, insisted yesterday that the country's foreign exchange position was sound, Chris Sherwell reports from Islamabad. The Minister said the Government had no intention of defaulting on its debt repayments. He was responding to a Voice of America report which suggested that default was likely.

Meanwhile the Government decided at a Cabinet meeting to make cuts in its non-development expenditure. It announced a 5 per cent reduction in defence expenditure.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rate $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing centres.

U.S. in new Mideast peace bid

BY L. DANIEL IN TEL AVIV

THIS WEEK'S Mideast mission by U.S. State Department officials is expected to aim at eliminating some of the obstacles to the resumption at Ministerial level of the stalled peace talks.

The Israeli Cabinet yesterday discussed the visit, by U.S. Special Ambassador Alfred Atherton and State Department legal adviser Herbert Hansell. The two men are due to arrive in Israel tomorrow and fly on to Cairo on Friday.

Points at issue are likely to be article six in the draft peace treaty which dealt with the precedence of the treaty over previous Egyptian commitments to Arab countries and article four which deals with the review of security arrangements in Sinai after a number of years.

Meanwhile in Cairo a Foreign Ministry source said Egypt welcomed the new U.S. initiative but stressed its attitude towards disputed issues remained unchanged, Reuter writes.

The new discussions would concentrate on trying to solve technical problems and if successful the next move would be to agree procedural arrangements for resuming talks, the source said.

Louis Fares adds from Damascus: The first tripartite meeting ever between Syria, Iraq and the PLO took place here this weekend at the Foreign Ministry to prepare for a summit meeting in Damascus next week between President Assad of Syria, President Bakr of Iraq and Mr. Yasir Arafat, leader of the PLO.

Mr. Abdul Mohsen Abu Maizar, the PLO's official spokesman, said the major objective of the summit will be "to consolidate Arab action on the basis of resisting the Camp David accords."

Ihsan Hijazi adds from Beirut: Lebanon and the Palestinians here were yesterday bracing themselves for an Israeli attack in reprisal for Saturday's guerrilla raid on Maalot in Northern Israel.

All three guerrillas, members of the Marxist Democratic Front for the Liberation of Palestine (DFLP) were killed, along with an Israeli Woman.

More political killings in Spain

BY ROBERT GRAHAM IN MADRID

THE SPATE of politically motivated violence in Spain continued unabated over the weekend. Two paramilitary policemen were killed by bombs and two further were badly injured in incidents in the Basque country.

In addition a leading figure in the militant Basque sepratist organisation, ETA, was injured in an assassination attempt.

Early on Saturday morning one policeman was killed and another badly injured in their Land Rover when it went over an electronically-detonated electric charge. The other Guardia Civil was killed when several hours later he went to the scene of the first incident to defuse another explosive device. ETA has not claimed responsbility yet, but observers considered it likely to be their work.

More significant in the escalation of violence was the attempted assassination of the ETA leader, Jose Manuel Pagoaga Gallastegui, known as "Peixoto." He belongs to the hard-line ETA faction—ETA-Militar and was generally considered to have acted as its treasury, operating from inside France. He was hit by several bullets fired from a passing van as he was about to check his own car on Saturday morning.

The attack was claimed by two organisations of the extreme right Triple A and OATE (the anti-ETA anti-terrorist organisation). It followed last week's special visit to France by the Spanish Foreign Minister Sr. Marcelino Oreja, during which he sought greater French co-operation to control ETA activity inside France.

If the claim for "Peixoto's" attempted assassination is correct, this suggests that there is now a group of people probably retired or off-duty policemen acting with some official connivance to carry the war against ETA.

It is also thought that the death on December 21 in the French Basque country of the prominent ETA figure "Argala" was the work of a similar vengeance squad rather than a settling of internal accounts although the thesis that both these actions were a settling of accounts have not been wholly discounted.

Brezhnev visit seen as 'warning'

BY PAUL LENDVAI IN VIENNA

THE SURPRISE visit of Mr. Leonid Brezhnev, the Soviet President and party leader, to Bulgaria is regarded by diplomatic observers in the Balkans as an expression of support for Bulgaria's staunchly pro-Soviet leadership and as a warning to Yugoslavia and Romania.

Mr. Brezhnev arrived in Sofia on Saturday and both he and his host, Mr. Todor Zhivkov, the Bulgarian Head of State, stressed what they called "the enormous importance of the victory of the Cambodian patriots."

Mr. Brezhnev, in a speech last night, promised help "in the building-up of Cambodia as a sovereign independent democratic and non-aligned state." Both the Romanians and the Yugoslavs have condemned the invasion of Cambodia and have demanded withdrawal of foreign troops.

Although Mr. Brezhnev referred to "comradely criticism" that he had failed "to learn how to rest" as an explanation for taking a short holiday in Bulgaria, Yugoslav observers see politics rather than health as the main purpose of the visit.

Romania came out publicly against higher military spending at the last Warsaw Pact summit. Therefore the fact that Mr. Brezhnev travelled to Bulgaria by train through Romanian territory but failed to stop in Bucharest or to meet President Nicolae Ceausescu, may have been a deliberate snub.

Chirac assured of party loyalty

BY ROBERT MAUTHNER IN PARIS

THE GAULLIST PARTY, which has been split in recent weeks over European policy and M. Jacques Chirac's leadership, has once again managed to paper over the cracks in its ranks.

At a meeting in a chateau near Paris, 120 out of the party's 155 National Assembly Deputies, have expressed their confidence in M. Chirac, who is still convalescing after a car accident in November.

The demonstration of unity came as a surprise after criticism by some leading party members of M. Chirac's style of leadership, and of the virulence with which he attacked President Giscard d'Estaing's foreign policies. But the vote indicated, as some observers had suspected, that grass-root support for the anti-Chirac faction was never strong.

MPs had been given to understand by their local party organisations that constant squabbling between leading members was not appreciated at constituency level. Also, most Deputies were anxious to avoid a fundamental split and political crisis which might even have brought down the Government and led to an election barely a year after the last one.

Although they closed ranks behind their leader, MPs were careful not to indulge in the extreme language used by M. Chirac, who accused the President of allowing France to fall under foreign domination and of paving the way for supranational institutions in Europe.

Plan for French wealth tax rejected

BY TERRY DODSWORTH IN PARIS

PROPOSALS FOR the creation of a new wealth tax in France have been rejected by a three-man commission of experts which has been looking into the question since last July. The team suggests that a much better way of raising money from the country's rich would be to revise and increase inheritance taxes.

Foreign experience is drawn on heavily in the argument against an annual wealth tax. The commission says that it is a difficult system to put into operation, hard to manage, and a poor instrument in the reduction of inequalities since it is unlikely to raise much money.

In favouring a new system of inheritance taxes the commission has raised memories of abortive efforts in the late 1960s to introduce similar reforms. These were eventually emasculated by parliamentary opposition, a danger to which the new proposals are also clearly exposed.

The commission's recommendations, however, have one essential difference in that they reduce the weight of the tax at the bottom end of the structure and become much more progressive in their attack on large fortunes.

Against a maximum inheritance taxation rate of 20 per cent at present, it suggests 40 per cent in future on anything over FFr 3m (£235,000). But the tax will be removed altogether on inheritances of less than FFr 400,000 against a figure of FFr 125,000 now.

WORLD TRADE NEWS

Canada to resume aid to India

By K. K. Sharma in New Delhi

HAVING AGREED to disagree on the nuclear issue, Canada and India are now set to resume and expand normal economic relations. Canada is to resume the industrial aid which was cut off when India exploded a nuclear device in the Rajasthan Desert in 1974.

This was indicated here by the Canadian Minister for National Revenue, Mr. A. C. Abbot, and Mr. Mohan Dharia, India's Commerce Minister, after talks on economic co-operation. The two countries have decided to set up a joint commission to identify areas of economic co-operation.

Mr. Abbot is leading a high-powered delegation consisting of officials and senior business executives who will explore marketing opportunities for Canadian exports to India and identify areas for collaboration with Canadian companies.

Pepsi-Cola in Bulgaria deal

By Paul Lendvai in Vienna

UNDER THE terms of an agreement signed in Sofia between Pepsi-Cola International and the Bulgarian state foreign trade agencies, Bulgaria will buy Pepsi-Cola and two plants will be built in the cities of Stara Zagora and Turgovishte to bottle the drink.

Mr. Peter Warren, the president of the U.S. company and Mr. Krassimir Kotev, the director general of the Bulgarian foreign trade corporation Technika, made it clear that the deal was based on a compensation agreement.

The U.S. company will buy Bulgarian wine for import into Britain and the U.S., as well as confectionary, electric trucks and other goods.

Road haulage group in Sudan

By James Buxton

A new specialised road haulage company with a one-third British stake is being formed in Sudan aimed at bypassing one of the country's worst bottlenecks—the transport link between Port Sudan and the productive inland areas of the country south of the capital, Khartoum.

The company will initially operate a fleet of 20 Foden and Volvo heavy tractors and about 30 specially-designed desert trailors. It is claimed that it can make the 600-odd mile journey from Port Sudan to Khartoum in 48 hours.

The company is to be called Amalgamated Sudan Transport Company (ASTC) and should start operating in April.

Snags in GATT talks on Government buying code

BY BRIJ KHINDARIA

TALKS IN Geneva on an international code to regulate purchasing policies of governments, which is part of the overall Tokyo round trade package, are turning out to be thornier than expected because of last-minute arguments.

The novel code is an important element in the Tokyo round attempt to remove non-tariff barriers to trade because its aims are to prohibit discrimination against foreign enterprises by government purchasing authorities. The draft text as it stands only partly meets these goals.

Governments generally discriminate against foreign suppliers by earmarking a certain percentage of official purchases for local producers, or by using complex administrative practices that act as invisible barriers.

Both the U.S. and the European Community, say that they have essentially settled their differences but some important aspects have yet to be tied up.

A long standing argument over the threshold at which the code's provisions would become applicable is likely to be resolved by a three-tier system under which purchases up to 100,000 special drawing rights (SDRs) would be kept outside the code's scope, procurements of between 100,000 to 500,000 SDRs would come under provisions requiring non-discrimination against foreigners, and tenders worth more than 500,000 SDRs would be ruled by additional provisions, prohibiting discrimination in favour of home companies.

The main obligations imposed by the code would be equal treatment for all foreign suppliers and, in the case of large purchases treatment of foreign suppliers on a par with domestic enterprises.

The U.S. has asked that the name of the winning bidder and the size of his bid should be published after the contract is awarded to ensure transparency but other countries feel that this could lead to collusive bidding for future tendes.

A likely compromise is a commitment by the purchasing government to promptly supply the winner's name on request to the losing bidder.

Discussion continues over the kind of entities that the code might cover. The U.S. claims that many more of its tenders would be potentially subject to the code compared with other participants in the negotiations, and the code should therefore, cover all foreign government agencies. This view has run into opposition and the compromise reached is the establishment of a list of entities to be governed by the code.

Developing countries have raised a last-minute argument over a key element. They are asking that they should be exempted from a provision which would prohibit the laying down of pre-conditions for the bid's acceptance, such as the granting of an offset or the licensing of new technology.

Swedish forest finance plan

BY WILLIAM DULLFORCE IN STOCKHOLM

MR. NILS AASLING, the former Swedish Industry Minister, has proposed the establishment of a joint financing institute for the pulp and paper companies owned by the Swedish forest owner co-operatives.

He did not exclude state participation in the institute. Most forest owner companies have operated at a heavy loss over the last two years.

"The whole Swedish forest industry needs long-term support from the community. I assume that the Government is aware of its problems and ready to discuss solution."

After he left the Industry Ministry in October, Mr. Aasling was commissioned by the National Farmers' Union to investigate the financial problems of the 13 companies owned by forest owners.

His studies parallel the work of the two-man team appointed by the new Industry Minister, Mr. Erik Huss, to negotiate state support for the pulp and paper mills.

Mr. Aasling denied reports that he was promoting a merger of all the forest owners' companies under one holding company. But, he added, "their long-term capital problems call for so much money that no single interest group can manage it. The job must be co-ordinated by the state."

Sodra, the largest of the forest owners' concerns, has been resisting Mr. Aasling's attempts to arrive at a comprehensive solution either through merger or by means of a common financial organisation.

Sodra's managing director, Dr. Lennart Schotte, has pointed out that his company is back in profit, although it is still seeking partners for its new SKR 2bn pulp and paper project at Moensteraas.

SHIPPING REPORT

Caribbean rates nearly double

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

POLITICS in Iran, strikes, and bad weather in Europe have not been sufficient to weaken what in most departments is a fairly steady market.

Tanker rates in the Gulf are pretty well static at depressed levels, with 44 ships still reported by brokers E. A. Gibson to be waiting off Iran at the end of last week.

One oil company has, however, moved its ships out of the queue and the fact that there are now more than 30 vessels waiting to load at Ras Tanura, Saudi Arabia, suggests that there is no prospect of immediate improvement. The going rate for a VLCC is worldscale 27 westbound and worldscale 30 eastbound.

Other tanker loading areas have benefited from conditions in the Gulf. In the Caribbean rates almost doubled in the course of last week and there was plenty of activity in cross-Mediterranean trading.

Dry cargo rates remain fairly steady and in the sale and purchase sector there were no significant movements in prices last week, although there was a flurry of interest from Greek buyers in linertypes and tweendeckers.

Lambert Brothers final monthly report for 1978 shows that during the year there was an 8 per cent increase in the total volume of secondhand tonnage sold, compared with 1977.

Prices bottomed out in the first quarter and by last month were 60 per cent better than January levels.

Lambert expects the market to remain fairly stable in 1979, with a continuing high level of scrapping.

Bolivia's Argentine sales

BY HUGH O'SHAUGHNESSY

BOLIVIA IS expected to increase natural gas sales to Argentina from 150m cubic feet a day to 220m and an Argentine mission is going to negotiate the increase in La Paz this week. The current price of the gas, which is subject to six monthly revisions is $1.54 per thousand cubic feet.

The government of General David Padilla, which seized power in November, has announced that any agreement on a much larger scale of natural gas to Brazil will be left to the civilian government which takes office in August after free elections. The sale to Brazil has been opposed by some political sectors in Bolivia because of a supposed lack of proven gas reserves for local consumption and because the deal would link Bolivia closely to its large eastern neighbour.

World Economic Indicators

RETAIL PRICES

	Dec. '78	Nov. '78	Oct. '78	Dec. '77	% change over previous year	Index base year
UK	204.2	202.5	201.1	188.4	8.4	1974=100
W. Germany	146.1	145.5	145.0	142.7	2.4	1970=100
	Nov. '78	Oct. '78	Sept. '78	Nov. '77		
Holland	122.6	122.6	122.3	117.9	4.0	1975=100
France	206.8	205.7	203.8	188.9	9.5	1970=100
Italy	138.5	137.3	135.8	124.1	11.6	1976=100
Belgium	129.5	129.1	128.8	124.8	3.8	1975=100
U.S.	202.0	200.9	199.3	185.4	8.9	1967=100

GERMAN INVESTMENT

W. Berlin lures the big names

BY LESLIE COLITT IN BERLIN

DESPITE HISTORICAL fears about the political risk attached to investing in West Berlin, a Western outpost 110 miles inside East Germany, the city is attracting long-term investment from some of the most prestigious West German and foreign companies.

Daimler-Benz is about to spend DM 100m ($54m), in West Berlin over the next four years while Bosch is expanding there at a cost of DM 35m. Siemens is putting in DM 12m after investing DM 1bn in Berlin over the past seven years. Philip Morris is spending DM 40m in the city while BMW is completing a new motor cycle factory in Berlin next year for DM 210m.

The underlying reason for the upsurge in investment in West Berlin is that the city's long-term future is seen to be guaranteed by the 1972 Four Power Berlin agreement. West Berlin, in addition, is unabashedly offering Germany's most lucrative subsidies and tax preferences to make up for its geographical disadvantages.

Even its location is now being overcome as the reconstruction of the Berlin-Helmstedt autobahn reduces the driving time to West Germany to little more than two hours.

A new autobahn is to be built to Hamburg that will also reduce the trip between Germany's largest cities to two hours. Delays in truck transport by East Germany are a thing of the past as all freight is sealed by customs before entering East Germany and the East German border controls have been reduced to a minimum by the Four Power agreement.

West Berlin's financial incentives have long been used by a number of well-known West German and foreign companies located in the city. Now the city has set up an Economic Development Corporation which is to carry the message to a select group of smaller and medium-sized companies in West Germany and abroad. The corporation is headed by a former Ford motor company executive, Mr. Robert Layton, who was chairman of Ford in Cologne.

West Berlin's tax preferences consist of a reduction of the 12 per cent Value Added Tax by between 4.5 per cent and 10 per cent of the amount paid, depending on the value added to the product made in Berlin. The buyer in West Germany gets another 4.5 per cent reduction in the VAT he has to pay.

Corporate income taxes are 22.5 per cent lower than in West Germany while individual income taxes are 30 per cent lower. Employees in West Berlin receive an added 8 per cent "Berlin premium" from the city if they earn up to DM 30,000 or the option of a lower tax rate.

Investment incentives are also unequalled in West Germany. Once a company has found a factory site in West Berlin the city will buy it and the company then pays 4.5 per cent of the purchase price to get a hereditary lease of 99 years or less. The city also reimburses 12.5 per cent of building costs within four months of the calendar year in which they were invested. European recovery programme loans are available for the remaining 43.75 per cent of the building costs at 3.5 per cent for up to 14 years with the rest provided by the city at 1.5 per cent below prime rate, or 5.5 per cent currently, for up to seven years. West Berlin also provides a rebate of 25 per cent for investments in machinery at the end of the investment year with the remainder being financed the same as with buildings.

As much as 75 per cent of the total investments may be written off in the first year or later with the basis being total investment not reduced by the cash subsidy received. All told this leaves a company investing here with annual costs of two per cent. The Industrie Kreditbank has compared 77 West Berlin manufacturing companies with a similar number in West Germany and found that from 1974 to 1977 the Berlin companies had a return on investment, including write-offs, of 13.6 per cent against 10.3 per cent for the West German ones.

Mr. Layton says the city is mainly interested in attracting companies offering a specialised product, having a sound financial structure and excellent management. His development corporation is working to identify such companies which are then to be individually approached. His international manager, Mr. W. F. Robinow, says smaller and medium-sized foreign companies are being sought which previously may only have exported to a German distributor but now require production in West Germany.

Much the same as in West Germany the number of manufacturing jobs in West Berlin has declined from 265,000 in 1970 to 177,000 largely as a result of rationalisation. However, the contraction has taken place largely within the biggest companies while the majority of workers are employed by thousands of small and medium-sized companies which have carved out a niche for themselves in West German and foreign markets. West Berlin's gross domestic product per capita in 1977 was DM 38,897 compared with DM 37,171 in West Germany.

Among the largest companies which supply West Germany, the European Community and overseas markets from plants in Berlin are Siemens with 26,000 employees, AEG-Telefunken employing 15,000, Schering, with 10,000, Osram (6,000), Standard Elektrik Lorenz (3,800), Borsig (3,000), Daimler-Benz (2,750), Robert Bosch (2,600), Flohr-Otis (1,700), O and K (1,650), BMW Motor-cycle Plant (1,300), Gillette (1,280), BAT (1,145), IBM (1,100), and Deutsche Philips (1,060).

The city is well endowed with scientific research facilities at the technical university, Max Planck Society, Hahn-Meitner Institute and Heinrich Hertz Institute. One ambitious aim is to link research further with industry to create the West Berlin counterpart of Silicone Valley in California and Route 128 in New England.

White Paper likely to project 2% increase in spending

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

AN INCREASE of about 2 per cent in the volume of public spending in 1979-80 above the planned level for the year is expected to be projected in the annual Expenditure White Paper to be published on Wednesday.

The White Paper will contain a much longer and more detailed discussion of the medium-term prospects for the economy and the constraints on the growth of expenditure than in previous years—in particular, examining the influence of variations in pay, productivity, sterling and the balance of payments.

In the short-term, the White Paper is expected indirectly to underline the limits on the Government's freedom of manoeuvre in the budget, whatever happens now on the pay front.

Medium-term expenditure and revenue projections are likely to be placed alongside each other, but there will probably be no change in estimates of public sector borrowing for 1979-80 from the £8.5bn figure disclosed two months ago.

Otherwise, the main City interest will be in the extent of underspending in the current financial year and hence in the increase in projected expenditure for 1979-80 not merely above the planned level for 1978-1979 but also above the expected outturn for the year.

It is likely that any underspending in 1978-79 will be much smaller than last year and hence the underlying increase in expenditure may be only slightly more than 2 per cent.

The latest published evidence indicates that spending covered by cash limits, around two-thirds of the total, has been running between 1 and 2 per cent below the ceiling though other spending, notably on debt interest an dtransfer payments such as social security benefits, has been more buoyant.

In addition, there is a lengthy list of major economic indicators due to be published this week, headed by the trade figures this afternoon. City analysts generally expect that the current account will have improved in December on the deficit of £72m reported for the previous month; the January figures will naturally be distorted b ythe current industrial troubles.

Other statistics include retail sales for December (due this afternoon), average earnings and basic wage rates (due on Wednesday), and mid-December money supply, fourth quarter consumer spending and November industrial production (all due on Thursday).

Overall these figures will be examined to see whether the rate of economic expansion had begun to slow by the end of last year, though inevitably they will be overshadowed by current pay disputes.

CONTRACTS

GEC Industrial Controls receives £1m order

GEC INDUSTRIAL CONTROLS has an order worth over £1m from the British Railways Board for the dismantling, refurbishing and re-installation of 230 dc high speed circuit breakers, and for the provision of modern control equipment and auxiliaries.

★

DOBSON HYDRAULICS has received three orders worth over £150,000 for Dobson demountable body equipment.

★

VICKERS FLUID POWER at Swindon has an order worth over £500,000 from the Property Services Agency to manufacture hydraulic test installations for aircraft servicing, at RAF Cottesmore and the RAF maintenance unit at St. Athan.

★

JAMES CLARK AND EATON of Bracknell, Berks, has won a contract worth more than £250,000 for the supply and installation of glazing units at the Saudi Arabian monetary agency bank in Ried, Saudi Arabia. The order was placed by Lang Wimpey Alireza, Saudi Arabia.

★

TOLLTRECK, Droitwich, shipped a £20,000 mould train for a secondary lead smelter for the Canada Metal Company for casting bullion and slag.

Foundries to receive £400m. 'last boost'

BY ROY HODSON

BRITISH foundries have not fully recovered from the 1975-76 slump but the non-ferrous companies are in a much stronger position than the troubled iron founding sector, according to two surveys by Inter Company Comparisons.

The situation in iron founding is described as "rather depressing." The industry is seen as having too much capacity competing for too few orders, with subsequent erosion of profit margins.

Capital investment in iron founding in the three years up to October 1977 — the period covered by the surveys — "tended to be lower than it could have been."

According to estimates, about £400m will be invested in the industry by next year as a result of the boost given by the ferrous foundry aid scheme. But the surveys see that investment as a "once and for all boost."

If continuing investment in ferrous founding was to be secured, the industry would need to move to a higher added value product. Profits were considered inadequate to cover future investment.

The ferrous industry's main customer was the car industry. The upturn in demand in the vehicle market was largely being met by imports.

Unless British car manufacturers could increase their market share, there would be no real improvement in business from the car-makers for the foundry industry.

Two-fifths of the iron castings were used by Ford and Leyland. The tractor market was another important customer. There were no signs of an upturn in the worldwide recession in the tractor market.

The National Economic Development Council had suggested that the ferrous founders should aim to export 15 per cent of their production, but only 13 foundry companies exceeded that figure in the years surveyed.

Of the top five exporters, three were not profitable or were actually making losses. Slow stock turnover and relatively long credit periods were two adverse factors.

The non-ferrous foundries showed a turn-around after the 1975-76 slump and improved sales values by 24 per cent in 1976-77. Profit margins were also up by 15 per cent and the average return upon capital improved by 32 per cent.

The surveys are sceptical whether the non-ferrous founders' recovery will last.

Gilt-edged market expects acceleration of inflation

THE GILT-EDGED market is moderately gloomy about the prospects for the UK economy this year though cautiously optimistic about interest rates, according to a survey of market opinion conducted by stockbrokers L. Messel and Co.

The survey among brokers and investors in the gilt-edged market was based on 241 replies, which had to be sent in by January 5, before the full extent of the present industrial troubles was known.

The results show that most expect a slight acceleration in the rate of inflation this year.

About 85 per cent expect a rise in earnings of between 11 and 15 per cent in the present pay round and nearly 70 per cent expect retail prices to rise by between 9 and 11 per cent this year.

Just under two-fifths of the sample expect sterling (now \$1.9960) to be between \$1.80 and \$1.89 on December 31, and a slightly smaller proportion expect the rate then to be between \$1.90 and \$1.99. Nearly 85 per cent believe the trade-weighted index, now 63.3, will be between 60 and 64 by the end of the year.

The survey reveals a widespread belief that the Government's money supply targets will be met, though with an increase nearer the top than the bottom end of the 8 to 12 per cent target range. Just over half he sample expect the public sector borrowing estimate for 1979-80 in the Budget to be between £8.5bn and £9.5bn.

But gilt-edged investors are slightly more cheerful about the outlook for their own market. The average estimate for Minimum Lending Rate, now 12½ per cent, is about 10 per cent in a year, while gilt-edged yields are also expected to decline, giving capital gains of more than 5 per cent.

Nearly 45 per cent of the sample think that the General Election will be held between April 1 and the end of June and a quarter believe that the election will be by the end of March.

More than a half expect a "hung Parliament," though nearly 70 per cent believe that there will be a Conservative Government.

In the new quarterly economic review of brokers J. and A. Scrimgeour, Mr. Michael Posner, a former senior official economic adviser and Cambridge economist, says that the consequences of another 14 per cent wage round must mean a fall in the sterling exchange rate quite soon, an erosion of the UK's competitive position and an extra fillip to domestic inflation.

Mr. Posner maintains that the effects of monetary policy work through very slowly and that the low growth in the money supply cannot affect present wage negotiations.

He sees the health of the gilt-edged markets during the next few months as being closely linked to the course of wage settlements and earnings growth.

If the Confederation of British Industry's estimates of an 11 per cent round were fulfilled interest rates at the long-end could fall.

In another recent broker's circular, Phillips and Drew has said that money market conditions are likely to be tight this month, but the authorities will probably oppose any further rise in Minimum Lending Rate even if U.S. rates move to yet higher levels.

Brokers Joseph Sebag and Co. suggest that the eventual pay outcome in the present round would still be roughly 12 per cent.

Insurance choice for home buyers

By Michael Cassell, Building Correspondent

THE RIGHT to change insurance companies during the term of a mortgage is to be extended to all house buyers from today.

New borrowers have been able to exercise a choice of insurance on their property since 1975 and existing home owners will now be able to do the same, following talks between the Office of Fair Trading and the Building Societies Association.

Borrowers will now be able to choose from at least three insurance companies or to propose a different insurance company of their own choice.

Any company proposed by a borrower will have to offer cover equivalent to that provided by the companies suggested by the society.

The society will also be able to reject any company which it feels unlikely to provide an adequate service or which will not undertake to keep the society covered if the borrower fails to pay a premium.

Traditionally, the society has required the borrower to insure with a company which it nominates.

Mr. Gordon Borrie, Director General of Fair Trading said yesterday: "The societies are to be congratulated on their willingness to offer borrowers a wider choice of insurance than they have had previously."

New P&O ship to visit UK

P&O CRUISES' new 27,000-ton cruise liner, Sea Princess, will call at Southampton on Wednesday on her way from Bremen, Germany to Australia, where she will operate year-round cruises from Sydney.

Sea Princess is the last passenger liner to be built by John Brown on the Clyde. She was bought from Flagship Cruises of New York in September.

Ceefax extended

THE BBC's Ceefax operation is being extended until midnight starting today. An extra hour is added to the television news service.

Oil industry forms group to promote onshore interests

BY KEVIN DONE, ENERGY CORRESPONDENT

OIL COMPANIES involved in refining, distribution and marketing in the UK have formed a trade association to improve the industry's contact with Government and other organisations.

The United Kingdom Petroleum Industry Association is expected to start operations in a few months after the appointment of a director general and a permanent staff.

The first president will be Dr. Austin Pearce, chairman and chief executive of Esso. The vice-president will be Mr. Denys Milne, chief executive of BP Oil, and the treasurer will be Mr. T. Hutton, managing director of Total Oil.

The association will perform a similar role to the UK Offshore Operators' Association, which represents oil companies involved in offshore oil and gas exploration and production on the UK Continental Shelf.

The industry has long been aware of its weakness in representing its onshore interests to Government and other organisations.

It has come under pressure from Mr. Anthony Wedgwood Benn, the Energy Secretary, in recent months to form a representative association, which could take a full role in tripartite discussions with the Government and the trades unions on oil industry affairs.

The Government was concerned in particular during its row with the EEC Commission over a European oil refining policy, that the UK oil industry lacked a single representative voice.

Oil companies with refining and distribution activities are represented now only by the Petroleum Industry Adivsory Committee, a body established shortly after the Second World War solely to offer advice to the Government.

The initial members of the new association will be British Petroleum, Shell, Esso, Gulf, Mobil, Chevron, Texaco, Total, Conoco, Petrofina, Phillips, Burmah and Amoco.

Manual staff receive 'lower sick benefits'

BY ERIC SHORT

THERE IS still a wide differential between sick pay benefits for manual workers and for non-manual employees, according to a survey by the Institute of Personnel Management.

The study analysed the sick pay provisions of 35 companies. It found that the level of cover was low for manual employees, even in companies where sick pay for non-manual employees was generous.

It also found that non-manual employees normally received their full salary with a deduction for National Insurance sickness benefits, although the periods over which such payments were made varied. Manual workers, in contrast, received lower benefits payable over shorter periods.

Only one company paid the same benefits for both categories of employees. A further 19 had different schemes in which manual workers were treated less favourably—some markedly so.

The remaining 15 companies had no sick pay scheme for manual workers. The findings disclosed that differential treatment still existed in spite of trends in present thinking towards a single status for manual and non-manual employees.

The survey pointed out that improvements in pay schemes were one of the few exemptions permitted under Stage Two of the pay policy. As a result, many employers had taken the opportunity to review their schemes.

But since August 1977, trade union negotiators had once again concentrated on wage increases and productivity, and were ignoring non-monetary job security measures.

Sick Pay Scheme, by Alison Jago, from the Information Department, Institute of Personnel Management, Central House, Upper Woburn Place, London WC1H 0HX; price £5, plus 30p postage.

Welsh reforms foreseen by Foot

FINANCIAL TIMES REPORTER

THE CAMPAIGN to secure a "yes" vote on March 1, St. David's Day, when the referendum on the proposed Welsh Assembly takes place, would be "the greatest ever mounted in Wales," Mr. *Michael Foot*, deputy leader of the Labour Party, said at the weekend.

Mr. Foot was addressing a rally at Bangor, North Wales, arranged by the Campaign for the Welsh Assembly, the pro-devolution organisation which draws support from the Labour, Liberal, and Welsh Nationalist parties.

More than 500 people braved the cold to hear Mr. Foot say that devolution would help England as well as Wales and Scotland. He hinted that a first task for a Welsh Assembly might be local government reform.

There were five other MPs on the platform—Mr. Cledwyn Hughes, (Lab., Anglesey), Mr. Geraint Howells (Liberal, Cardigan) and the three Welsh Nationalists, Mr. Gwynfor Evans (Carmarthen), Mr. Dafydd Thomas (Merioneth) and Mr. Dafydd Wigley (Caernarfon). The Archbishop of Wales, the Right Rev. G. O. Williams, was chairman.

Mr. Gwynfor Evans, speaking in Welsh, said that devolution would give Wales back its self-confidence, and Mr. Howells confidently predicted that 50 per cent of the Welsh electorate would vote for devolution.

Imitators worrying computer industry

BY MAX WILKINSON

THE STRUGGLE between International Business Machines and the growing band of its imitators will bring big competitive problems for International Computers Limited and other independent manufacturers, says a leading U.S. consultant.

Mr. Fred Withington, co-author of the latest computer industry report by consultants Arthur D. Little, said yesterday that ICL and similar companies were beginning to face two fundamental difficulties.

The first was that competition between IBM and its imitators was driving down the price of IBM-type of equipment. This meant that anyone who bought an IBM system could be reasonably certain that he would have several competitive sources of supply for equipment, and that prices would be reasonably low.

Software range

The second problem for companies such as ICL was that users were becoming much less interested in the performance of computer machines (hardware). The technology was moving so fast that all machines were improving and the differences in performance were becoming much less significant.

A few years ago, a competitor of IBM had an advantage if it could show that its machines could calculate more rapidly or had some other superiority. In future, users were more likely to be interested in the range and efficiency of available programmes (software), said Mr. Withington.

In the provision of software, IBM had a big advantage over all its competitors because of its size and the overwhelming predominance of its equipment throughout the world.

The Arthur D. Little report estimates that IBM's share of the world market in terms of *annual shipments (by value)* has slipped in the last five years from 70 per cent to 58 per cent, but it expects IBM's share to recover to 61 per cent by 1983, because of a new agressiveness in product development.

Since 1976, makers of equipment which is compatible with that of IBM (plug-compatible equipment) have increased sales from almost nothing to $650m last year.

The study says that the struggle between IBM and its imitators will continue to eclipse all other competition in the U.S. market and has already become an important factor in the world at large.

Mr. Withington said that there was no immediate cause for alarm on the part of ICL and other computer companies whose systems work on different principles (computer architecture) from those of IBM.

There was a large inertia built into the computer market because customers were reluctant to change from one manufacturer's system to another. Any such change requires an expensive re-writing of programs, so a shift in the balance of the markets would be slow.

"This means that there is time for the competitors of the IBM system to work out new ideas to get a competitive edge, and there is every evidence that they are doing this.

"What this means, in effect, is that ICL and the other companies will have to be sharper than ever before, if they are to prevent IBM from having an advantage over them."

Mr. Withington's report, written jointly with Mr. Oscar Rothenbuecher, predicts that the annual value of shipments by U.S. mainframe computer suppliers will be between $25bn and $29.5bn by 1983, an increase of at least 40 per cent over that estimated for last year.

Revenues

The share of the world market taken by U.S. manufacturers would reduce from 78 per cent this year to 75 per cent in 1983. This slight shift would be the result of expansion by manufacturers of small systems as well as competition from Fujitsu and Hitachi in Japan, and the European mainframe companies.

Total revenues of data processing companies would grow faster than the shipments of general purpose computers. Total revenues grew by 19 per cent this year from $23.8bn in 1977 to $28.4bn last year.

By 1983 the revenues would derive much more from associated services than from hardware shipments.

The world computer industry, 1978-1983, from Arthur D. Little of Cambridge, Massachusetts, is one of a series of reports circulated privately to subscribers.

Rank will sell films and TV video tapes

WITH AN EYE to old-movie fans, Rank Audio Visual is to enter the pre-recorded video *tape market this spring*, and will offer Rank films as well as television programmes.

A few ventures have already been made into this market in Britain. IPC is using its publishing expertise in the hobby and leisure markets to offer video-cassettes on sports such as soccer and golf. EMI is also releasing entertainment films, but typical cassettes are costing about £45 for feature films.

Real boom

The video disc is much cheaper—a complete copy of Jaws at £7 is promised in the U.S. this year—and this is being launched by Philips in co-operation with MCA in the U.S.

Mr. Gerry Dingley, director and general manager of Rank Photographic and Film Services at Rank Audio Visual, said yesterday: "With our long tradition in feature films and short-film making, our film and video laboratories and a film hire library, the Rank Organisation is particularly well placed to make a major contribution to the development of video software."

In addition to Rank films, the company has negotiated for a wide range of other pre-recorded programmes including television programmes from the UK and abroad. Mr. Dingley said: "Other titles will be added to our catalogue during the year, but I believe the real boom will come with the production of our own video programmes and with the advent of video disc technology."

Washing dirty linen will cost millions

THE TRIBUNAL of inquiry into the Crown Agents' £220m-plus losses in the property and secondary banking crash of 1973-74 will be reconvened at 10.30 this morning by Mr. Justice Croom-Johnson.

This is the 47th day of an inquiry that has almost disappeared from public sight beneath a fast-growing mountain of verbal evidence and supporting documents.

As the pace of the inquiry slows to accommodate the extraordinarily detailed mass of evidence being accumulated about the Agents' reckless fling in the world of finance, last year's hope that the work would be completed by *mid-1979 has* vanished.

The process of washing the Agent's now discarded dirty linen in public is expected to run well into 1980 at a cost, in both legal fees and administrative time, of several million pounds.

Last summer Parliament set up the tribunal to find "to what extent there were lapses from accepted standards of commercial or professional conduct or of public administration in relation to the operations of the Crown Agents as financiers on own-account in the years 1966-1974 . . ."

Mr. Justice Croom-Johnson and his fellow tribunal members, Lord Allen of Abbeydale and Sir William Slimmings, are covering in greater detail the same ground combed earlier by Judge E. S. Fay QC in his committee of inquiry into the Agents' losses on behalf of the Minister of Overseas Development.

Judge Fay's report was published in December, 1977. Its terse, damning expose of the Agents' commercial naivety throughout the years of the property and secondary banking boom has become one of Her Majesty's Stationery Office's best sellers.

In sharp contrast, transcripts of the open court hearings of *the present tribunal* seem destined for the dustiest of library shelves.

Evidence transcribed in the claustrophobic atmosphere of Room 104 of the St. James's Conference and Press Centre will no doubt form the basis of many a doctoral thesis, but it is hard to imagine many Hollywood producers fighting for the film rights of the day-to-day tribunal reports.

It had been hoped that the tribunal would have completed hearing evidence from and about former officials of the Crown Agents before Christmas, but protracted discussion of among other things, the gambling activities of the late Mr. Bernard Wheatley (the Agents' former sterling money market manager) and cross-examination of his former colleagues and superiors has taken far more time than expected.

It now seems likely that the Agents' officials will be on call until early summer at the *earliest*.

After that the tribunal will consider evidence from the legal firm of Davies, Arnold and Cooper, the Agents' advisers on

NEWS ANALYSIS

CROWN AGENTS INQUIRY

BY JOHN BRENNAN

a number of own account deals and the professional base of Mr. Jack Walker, *whose English and* Continental companies, according to Judge Fay's report, cost the Agents £42.8m.

Then, the Ministry of Overseas Development, the Treasury, the Exchequer's audit department, and finally the Bank of England will each take the stand and give their versions of *the events of the late 1960s and* early 1970s.

By the end an uniquely detailed analysis of the financial affairs of the largest single *victim of the 1973-74* crash will have been prepared. Blame will no doubt be apportioned in the subsequent report, and the financial world's equivalent of *the Nuremburg Trials* will be over.

Parliament has ruled that in this case at least justice must be seen to be done. But as the evidence *piles* up in indigestable volumes, perhaps the strongest advocates of that decision are the dozen or so legal firms collecting their fees (about £100 a day each for junior counsel and perhaps £250 for senior counsel) as representatives or advisers of the Government departments and witnesses at the hearing.

This week should see a temporary recovery in Press interest in the inquiry as the tribunal produces Mr. William Stern as a star witness. Mr. Stern, who made headlines and ensured himself a place in the record books with personal bankruptcy proceedings that disclosed liabilities of over £104m, had a key role in the *Agents' saga*.

His companies rank second in Judge Fay's table of Agents' losses, having cost the organisation a cool £41m.

Revelations about the management style of the boom-time property developers will no doubt make their way into the Press during the coming weeks.

Some comic, some scandalous examples of the commercial ethics of the time will be unearthed and will spark the usual reactions of newspaper outrage. However one critical point tends to be forgotten when viewing the tribunal's progress — that it is a view of the past.

The Crown Agents have ridden-out the storm that broke with news of their losses in 1976. The organisation has abandoned the own-account business that dragged it into the property crash and has maintained, and expanded its traditional role as an independent agent for overseas governments.

At St. James's we see only the shadows of the past parading in an expensive piece of moral blood-letting by the Establishment. The tribunal is there *pour encourage les autres*. If it achieves no other effect than to put a chill down the spine of any civil servant tempted to cross the grey line between initiative and own-account dealing it will, perhaps, have served its purpose.

East Anglian coal hunt

NORFOLK PLANNING sub-committee is to be urged this week to approve a *planning* application by the National Coal Board to drill an exploratory bore hole in a hunt for coal at Grove Farm, Gimingham, Norfolk.

There are at present no pits in East Anglia. The Coal Board *will spend nine weeks drilling*, and its rig will be 130 feet high. There are already oil and gas rigs in the North Sea opposite the Norfolk coast.

'Support British machinery makers'

BRITISH paper-making companies were urged by a Government minister to buy less of their machinery from abroad.

The appeal was made by Mr. Michael Meacher, Under-Secretary for Trade, who said: "We in the Government consider it is vital that the UK industry supports its home machinery suppliers, particularly where equipment of novel design is concerned."

Mr. Meacher was speaking to leading paper and board manufacturers at the annual dinner of the British Paper Machinery Manufacturers' Association.

His comments follow representations made to the Government by the machinery makers about the high level of imports of machinery and alleged unfair trade practices by some foreign manufacturers, particularly from Finland.

Last year the UK machine manufacturers' production was £45m of which £23m was exported.

Parliament this week

TODAY: Commons. Statement by Mr. William Rodgers, Transport Secretary on road haulage and rail strikes. Debate on 11th report of Expenditure Committee for 1976-77 and 12th report for 1977-78 on civil service.

TOMORROW: Commons. Supply Day debate on industrial unrest. Motion on Housing Support Grant (Scotland) Order.

Lords. Electricity (Scotland) Bill, third reading. Representation of the People (Armed Forces) Bill, committee stage. Land Registration (Scotland) Bill, committee stage.

WEDNESDAY: Commons. Remaining stages of House of Commons (Redistribution of Seats) Bill.

Lords. Debate on "continuation of conditions unfavourable to the *creation of wealth and the recovery of British industry*." Deer Bill, committee stage. Question asking what plans the Government has to increase the National Insurance Death Grant, unchanged since 1967.

Select Committees. Science and Technology, Genetic Engineering Sub-committee on public policy issues of DNA. Witnesses: *Genetic Manipulation Advisory* Group. 10.30 am. Room 15. Expenditure, Social Services and Employment Sub-committee on perinatal and neonatal mortality. Witnesses: DHSS. 4.30 pm. Room 16. Overseas Development on UK aid to India. Witnesses: Alan Leather of Ruskin College, OXFAM. 4.30 pm. Room 6. Expenditure, Environmental Sub-committee on redevelopment of London docklands. Witnesses: GLC, Docklands Joint Committee, various London boroughs. 4.30 pm. Room 15. Expenditure, Trade and Industry Sub-committee *on UK domestic air fares*. Witnesses: Civil Aviation Authority. 10.15 am. Room 16. European Legislation on medical and public health R. and D. Witnesses: DHSS. 4.15 pm. Room 5.

THURSDAY: Commons. Second reading of Industry Bill.

Lords. Formal first and third readings of various minor consolidation measures. Arbitration Bill, committee stage. Debate on "increasing number of sightings and landings of unidentified flying objects."

FRIDAY: Commons. Private members' Bills.

هكذا من الأصل

هكذا من الأصل

Shipyard unions vote on pay plan this week

BY ALAN PIKE, LABOUR CORRESPONDENT

BRITISH SHIPBUILDERS' hopes of streamlining its fragmented pay system into a national structure face decisive tests at trade union delegate conferences this week.

Representatives of shipyard workers in TASS, the white collar section of the Amalgamated Union of Engineering Workers, are to vote on the proposals at a meeting in Newcastle today. Tomorrow, they will be considered by the industry biggest union, the *Boilermakers' Society*.

Later this week, the plan will be discussed by degelates from the AUEW's engineering section.

The industry's second largest union, the General and Municipal Workers, has already rejected the proposals, and they must win endorsement at this week's meetings to stand any chance of being introduced in their present form.

The new pay proposals, unveiled at a Confederation of *Shipbuilding and Engineering* Unions conference in November, would mean all negotiations would start on January 1. At present, British Shipbuilders negotiate with 168 bargaining units during the year.

New national minimum rates of £80 for skilled workers, £70 for semi-skilled and £62 for unskilled would be established. *Staff employees would receive* across-the-board increases of 4 per cent, with a £62 per week *minimum* basic rate.

The proposals would mean that workers in some yards received no increase in basic rates for more than two years while the new national structure developed. This has been a big factor in the developing hostility to the plans, although British Shipbuilders and union officials have pointed out that there would still be the possibility of productivity deals.

If the proposals are defeated at this week's conferences, it is possible that British Shipbuilders will seek early talks with the Confederation on revised plans which would retain *the spirit of national negotiations*.

Power engineers give pay action warning

BY OUR LABOUR STAFF

ENGINEERS in the electrical power industry gave a warning yesterday that they were no longer prepared to set aside pay agreements reached in the past because of the Government's fight against inflation.

Mr. John Lyons, general secretary of the Engineers' and Managers' Association and of its constituent group, the Electrical Power Engineers' Association, said that power engineers had voluntarily set aside their agreement on differentials in the industry for the past three years in the national interest. But this could not happen again.

In the association's journal, Electrical Power Engineer, he attacked unions whose "short sighted and self defeating" efforts to reduce differentials had created a shortage of skilled manpower.

British industry was now severely short of skilled and professional workers at key points in its structure and as a result was performing below its optimum capability.

At the heart of the problem was a "campaign" waged over several years to reduce differentials for skill, professionalism and responsibility.

Ashley Ashwood

Mr. William Rodgers, Transport Secretary (arrowed) meets Emergency Committee chairman and Government officials.

Dispute cripples industry

BY COLLEEN TOOMEY

OPTIMISM WAS scarce among *many manufacturers* yesterday as they faced another week of heavy picketing at docks and outside factory gates.

Thousands of workers were sent home during the weekend and many more face layoffs after today when manufacturers take stock of the situation caused by the lorry drivers' dispute.

Vital export orders have already been lost and many more hang in the balance. Even companies needing essential supplies which were guaranteed a safe passage by the Transport and General Workers' Union last week complained yesterday that pickets were preventing the supplies from getting through.

Secondary picketing was in strong evidence throughout Britain yesterday, according to the Freight Transport Association, with the exception of the Midlands where picketing was "patchy."

Only a change in the law on picketing would prevent the blacking and blockading of goods and supplies of companies not involved in a dispute, said Sir John Methven, director-general of the Confederation of British Industry.

"The action of lorry drivers, assisted by ASLEF, is likely permanently to destroy the jobs of other union members.

"No employer or business should apply pressure to the hauliers to offer more. The offer already made is nearly double the rate of inflation.

"There is no easy solution to the problem other than for the lorry drivers to go back to work and to use the usual means of negotiation," Sir John said.

Ports are still being solidly picketed. One of the worst hit areas is Northern Ireland where about 70 per cent of goods are transported by sea.

More than 18,000 people have already been laid off work and the situation is worsening, in spite of an easing of the fuel shortage.

Ulster's short-lived state of emergency last night was expected to be ended by Mr. Roy Mason, the Northern Ireland Secretary after the decision by the 900 tanker drivers employed with the major oil companies to call off their unofficial strike.

Although the return of petrol and oil supplies will ease the situation for some companies, further layoffs are certain this week. Particularly threatened by the drivers' strike is the man-made fibres sector which employs more than 9,000 people.

The effect of the strike in Scotland was made worse yesterday by the severe cold, which made road movements difficult and affected the delivery of fuels and other essential supplies such as de-icing fluid for airport runways.

Scottish Office Ministers met industry leaders and strike committees over the weekend to try to ease problems caused by picketing, but some companies have said they would be laying off workers from today or tomorrow.

BL Vehicles has laid off 700 workers from its truck and tractor factory at Bathgate and may be forced to send home other workers later this week.

Don Brothers, the textiles group, has told its 1,100 employees in Angus that there could be shorter working hours this week. About 10,000 workers in Scotland have been affected by the *strikes so far*.

In the North West of England, where so far 50,000 have been *sent home, there are few sectors* of industry that have survived unscathed.

One drug company on Humberside has come to an arrangement with the union that if they are not picketed essential goods only will be dispatched.

In Newcastle, small companies have been forced to close today as raw material supplies ran out. Heavy picketing continued over the weekend and overtime was reduced as employees found restricted bus services made transport impossible.

Food shortages in Wales and the South-West are *widespread*. Many basic items such as flour, butter, frozen foods and fresh *fruit are unobtainable in several* areas. Avana, bakers, is [illegible] 600 people home from today.

With more than 21,000 people laid off in the Midlands already, there seems little hope of imminent improvement. The fuel shortage is still critical, according to the Freight Transport Association, and extends in a 50-mile radius from Birmingham.

A full Sunday overtime production shift was cancelled at Ford's £123m car plant at Halewood, Liverpool, to conserve supplies of components. It would have been the first Sunday overtime at Halewood for two months and the 4,000 men *in the assembly* and body stamping plants would have produced 400 Escorts worth £1m.

Water dispute hits 2,000 homes

By Rhys David

ABOUT 2,000 homes north of Manchester were without water last night as a result of the dispute, involving 400 maintenance workers in the Pennine *division of the North West* Water Authority.

The authority supplies about 750,000 consumers. Some householders are boiling snow for washing up and flushing lavatories, and those still connected are being advised to boil water, which in many cases is discoloured.

The men came out on strike on Thursday in protest against *a pay offer made to the unions* nationally. Talks on the offer are due to resume in London this week.

The action, taken against union advice, has meant that essential work at treatment plants has stopped. Repairs to mains burst in the present bout of cold weather have stopped. Temperatures in Manchester were as low as −12 deg C (10 deg F) on Friday night.

The number of consumers cut off is expected to rise rapidly during the week, but because the men normally man tankers during a breakdown in supplies, there is no question of *emergency water being distributed*.

The water authority is thought to have ruled out the use of management staff for this purpose, for fear of exacerbating the dispute.

In spite of its apeal there had been no noticeable drop in the level of water usage in areas *affected*, the water authority said yesterday. Consumers were asked to economise by using waste water from baths and washing up to flush lavatories.

Industries in the areas affected, mainly textiles, shoe manufacture and engineering, rely heavily on extraction from rivers and, so far, have not been seriously hit.

The men have been offered £7 a week on average earnings, taking their total from £73 to £80. The rise is worth 9.4 per cent, but would amount to 14 per cent on average earnings for the lowest grades.

LEGAL NOTICES

No. 0011 of 1979.

In the HIGH COURT OF JUSTICE Chancery Division Companies Court, in the Matter of STRANDVALE LIMITED and in the Matter of The Companies Act 1948.

NOTICE is HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 3rd day of January 1979 presented to the said Court by BARCLAYS BANK LIMITED of 54, Lombard Street, London, E.C.3, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 5th day of February 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to *any creditor or contributory of the said* Company requiring such copy on payment of the regulated charge for the same.

DURRANT PIESSE
73, Cheapside,
London, EC2V 6ER.
01-236 6515. AT/APT/BKH3583.
Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their Solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 2nd day of February, 1979.

COMPANY NOTICE

BLUE BELL, INC.

U.S. $20,000,000

7½% Debentures 1987

The annual report and accounts of Blue Bell Inc., for the financial year ended 30th September, 1978 will be available for inspection at the offices of Strauss, Turnbull & Co., Moorgate Place, London, EC2R 6HR during the usual business hours on any weekdays (Saturday excepted) until February 12th, 1979.

THE LIST OF APPLICATIONS WILL BE OPENED AT 10 a.m. ON WEDNESDAY, 17th JANUARY 1979 AND WILL BE CLOSED AT ANY TIME THEREAFTER ON THAT DAY.

12 per cent TREASURY LOAN, 1983

ISSUE OF £950,000,000 AT £97.25 PER CENT

PAYABLE IN FULL ON APPLICATION

(namely £97.25 for every £100 of the Loan applied for)

INTEREST PAYABLE HALF-YEARLY ON 17th MARCH AND 17th SEPTEMBER

This Loan is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961, subject as regards securities payable to bearer to the provisions of Section 7 of the Trustee Act 1925. Application has been made to the Council of The Stock Exchange for the Loan to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive applications for £750,000,000 of the above Loan: the balance of £200,000,000 has been reserved for the National Debt Commissioners for public funds under their management.

The principal of and interest on the Loan will be a charge on the *National* Loans Fund, with recourse to the Consolidated Fund of the United Kingdom. The Loan will be repaid at par on 17th March 1983.

The Loan will be issued in the form of stock which will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one new penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

On or after 16th August 1979 stock issued in accordance with the terms of this prospectus may be exchanged into bonds to bearer which will be available in denominations of £100, £200, £500, £1,000, £5,000, £10,000 and £50,000. Bonds will be free of stamp duty.

Stock will be interchangeable with bonds without payment of any fee.

Interest will be payable half-yearly on 17th March and 17th September. The first payment will be made on 17th September 1979 at the rate of £7.9890 for every £100 of the Loan. Warrants for interest on stock will be transmitted by post: income tax will be deducted from payments of more than £5 per annum. Interest on bonds to bearer, less income tax, will be paid by coupon.

Stock and bonds of this issue and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the stock or bonds are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

Further, the interest payable on stock or bonds of this issue will be exempt from United Kingdom income tax, present or future, so long as it is shown that the stock or bonds are in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern *Ireland.*

For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

Applications for exemption from United Kingdom income tax should, in the case of interest on stock, be made in such form as may be required by the Commissioners of Inland Revenue.

Bearer bond coupons will be paid without deduction of United Kingdom income tax if accompanied by a declaration of ownership in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland *Revenue, Lynwood Road, Thames Ditton, Surrey, KT7 0DP.*

These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the *Taxes Management Act 1970, Section 43(1)*, no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the *United Kingdom*. *Moreover,* the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident, or ordinarily resident in the *United Kingdom*, and, *in particular*, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Applications, which must be accompanied by payment in full, namely £97.25 for every £100 of the nominal amount applied for, will be received at the Bank of England, New Issues, Watling Street, London EC4M 9AA. A separate cheque must accompany each application. Applications for amounts up to £2,000 of the Loan must be in multiples of £100; applications for amounts between £2,000 and £50,000 of the Loan must be in multiples of £500; applications for more than £50,000 of the Loan must be in multiples of £1,000.

Letters of allotment in respect of Loan allotted will be despatched by post at the risk of the applicant. No allotment will be made for a less amount than £100 of the Loan. In the event of partial allotment, the balance of the amount paid on application will be refunded by cheque despatched by post at the risk of the *applicant; if no allotment is made the amount paid on application will be* returned likewise.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London EC4M 9AA, or by any of the branches of the Bank of England on any date not later than 26th February 1979. Such requests must be signed and must be accompanied by letters of allotment.

Letters of allotment, *accompanied by a completed registration form, may be* lodged for registration forthwith and in any case they must be lodged for registration not later than 28th February 1979. Stock may be exchanged for bonds to bearer on or after 16th August 1979.

A commission at the rate of 3.125p per £100 of the Loan will be paid to bankers or stockbrokers on allotments made in respect of applications bearing their stamp. However, no payment will be made where the banker or stockbroker would receive by way of commission a total of less than £1.

Until the close of business on 15th August 1979 stock issued in accordance with this prospectus will be known as 12 per cent Treasury Stock 1983 "A"; the last date for lodgment at the Bank of England of transfers of "A" stock will be 13th August 1979. The interest due on 17th September 1979 will be paid separately on existing holdings of 12 per cent Treasury Stock, 1983 and on holdings of "A" stock: consequently, interest mandates or authorities for income tax exemption recorded in respect of existing holdings will not be applied to the payment of interest due on 17th September 1979 on holdings of "A" stock. From the opening of business on 16th August 1979 the "A" stock will be amalgamated with the existing stock.

Application forms and copies of this prospectus may be obtained at the Bank of England, New Issues, *Watling Street, London EC4M 9AA, or at any of the* branches of the Bank of England; at the Bank of Ireland, P.O. Box 13, Donegall Place, Belfast BT1 5BX; at Mullens & Co., 15 Moorgate, London EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

BANK OF ENGLAND
LONDON

12th January 1979

THIS FORM MAY USED

For use by Banker, or Stockbroker claiming commission—	
(Stamp)	VAT Regn. No. (If not registered put "NONE")

THE LIST OF APPLICATIONS WILL BE OPENED AT 10 a.m. ON WEDNESDAY, 17th JANUARY 1979 AND WILL BE CLOSED AT ANY TIME THEREAFTER ON THAT DAY.

12 per cent Treasury Loan, 1983

ISSUE OF £950,000,000 AT £97.25 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

The applicant named below requests you to allot to him/her in accordance with the terms of the *prospectus* dated 12th January 1979 *a* £

say .... pounds of the above-named Loan. The applicant requests that any letter of allotment in respect of the Loan allotted be sent to him/her by post at his/her risk.

The sum of *b* £ .... being the amount required for payment in full (namely £97.25 for every £100 of the Loan applied for), is enclosed.

c I/We declare that the applicant is not resident outside the Scheduled Territories *d* and that the security is not being acquired by the applicant as the nominee of *any person(s) resident outside* those Territories.

.... January 1979 SIGNATURE ....
of, or on *behalf* of, applicant.

PLEASE USE BLOCK LETTERS

SURNAME OF APPLICANT MR/MRS/MISS OR TITLE ....

FIRST NAME(S) IN FULL ....

ADDRESS IN FULL ....

a Applications for amounts up to £2,000 Loan must be multiples of £100; applications for amounts between £2,000 and £50,000 Loan must be in multiples of £500; applications for more than £50,000 Loan must be in multiples of £1,000. Applications should be lodged at the Bank of England, New Issues, Watling Street, London EC4M 9AA.

b A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "Treasury Loan".

c If this declaration cannot be made it should be deleted and reference should be made to an *Authorised Depositary or, in the Republic* of Ireland, an Approved Agent, through whom lodgment should be effected. Authorised Depositaries are listed in the Bank of England's Notice EC 1 and include most banks and stockbrokers and solicitors practising in the United Kingdom, the Channel Islands or the Isle of Man; *Approved Agents* in the Republic of Ireland are defined in the Bank of England's Notice EC 10.

d The Scheduled Territories at present comprise the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

Building and Civil Engineering

£6m motorway award to Bovis

CONSTRUCTION of a further section of the M25, in Surrey between Egham and Yeoveney, is to be undertaken by Bovis Civil Engineering, which submitted a £6.3m tender for the job.

Work is about to start and will take about 2½ years to complete, during which time the Department of Transport promises to minimise any disturbance which may be caused to property near the road, particularly houses in Wraysbury Road. Offers of double-glazing, under the Noise Insulation Regulations, are being made in all appropriate cases, it stated.

This contract calls for the construction of 1.4 km of motorway with dual three-lane carriageways; the realignment and reconstruction of about one mile of the A30 Staines by-pass between the Thames and Moor Lane; new roundabout and four slip roads to form an interchange between the motorway and the A30; reconstruction of a section of the B376 Wraysbury to Staines road to pass under both the motorway and the A30; and a new link road about 350 yards in length connecting the interchange roundabout with the B376 at Hythe End.

The superseded length of the A30 to the east of the existing roundabout will be broken up, levelled and reinstated as common land.

Engineers kept busy in Kuwait

CONSULTING engineers Posford Pavry and Partners, are providing a team of engineers and quantity surveyors for project management, design co-ordination and contract supervision in various departments of the Ministry of Electricity and Water and the headquarters of the National Housing Authority in Kuwait.

Among the major projects on which they have been engaged are Doha East power station extension (£25m), reservoir construction, electrical sub-station and distribution works, the new National Control Centre (£10m), and the first of the planned new townships, the budget for which is £4,000m over the next five years.

Wide range of jobs

LARGEST OF the latest contracts awarded to Rush and Tompkins is for a 17,000 square metre warehouse at Swindon, Wilts, for use as a distribution centre by Book Club Associates.

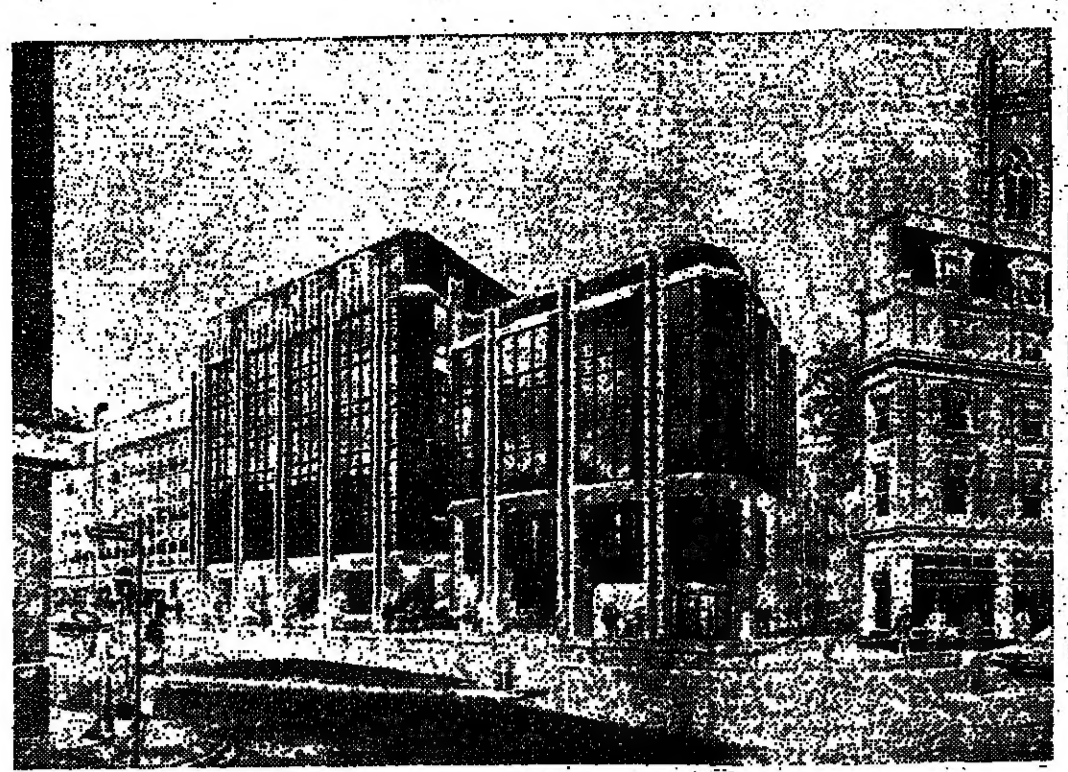
The warehouse, for which the contract value is £2.4m will have a steel frame, a roof covered in asbestos sheeting and walls clad with pvc sheets. Completion is due early in 1980.

At St. Mary Cray, Kent, the company is constructing 20 warehouse/industrial units for the National Water Council Superannuation Fund at a cost of £1.5m while in London, El it is building a factory and offices for Keller Sona (UK) under an £850,000 contract.

Other industrial work includes a quality control building for Shell UK Oil at Teesport, Teesside (£325,000) and workshops at Newbury, Berkshire for Shilston Construction (£250,000).

In the retail sector, some £3.8m worth of work involving supermarkets is under way. Two are for the John Lewis Partnership's Waitrose chain — one at Havant, Hants (£1.5m) and the other at Windsor, Berks. (£648,000). Mac Fisheries has placed a £900,000 order for a supermarket at Salisbury, Wilts, while at Kingston, Surrey a Caters supermarket for Debenhams is being fitted out at a cost of £790,000.

Public authority contracts valued at £1.2m are also under way in various parts of the UK. This includes work at Odstock, Wilts, for the Wiltshire Health Authority, a health centre at Barhead Glasgow, refurbishing at Orpington Hospital, Kent, shops, flats and a community centre at Billingham, Cleveland and a sports hall at Monkseaton High School, Whitley Bay.



Artist's impression of the Watling Court development on the corner of Cannon Street and Bow Lane, London EC4, which Higgs and Hill is to build for Electricity Supply Nominees at a cost of £8.1m. Project managers are Richard Ellis. This contract will involve construction of a single building with basement, rising in parts from five to seven storeys and providing a gross floor area of 9,060 sq metres. The completed building will be "U"-shaped with an open paved and planted courtyard. Shop units will be at ground floor level. Architects are Fitzroy Robinson and Partners. Thomas Bedford and Partners are the structural consulting engineers while Rybka, Smith and Ginsler are consulting engineers for the services. Quantity surveyors are Crosher and James.

Refurbishing work

FIVE MODERNISATION and rehabilitation contracts together worth over £1m have been won by Corrall Construction, part of Powell Duffryn Group.

Work in the London boroughs of Southwark and Lambeth includes a negotiated extension of a contract in Kellett Road, Brixton, involving the rehabilitation and conversion of three houses built around the turn of the century; modernisation of 15 maisonettes in Alberta Street and Ambergate Street, in Southwark; and work on 10 scattered properties in London, SE17.

The company has also started work on two modernisation projects in Northamptonshire.

Mix of jobs for IDC

IDC GROUP has been awarded design and construction contracts worth over £10m.

The contracts include works and offices at Irlam for the Kellogg Company of Great Britain; a unit for electrical testing of assembled tube train carriages for Metropolitan Cammell at Birmingham; and a warehouse at Stourport-on-Severn for industrial and commercial chains for Parsons Controls Holdings.

Other jobs are a transit shed and terminal offices at Royal Portbury Dock for Port of Bristol Authority; a manufacturing and engineering development at Stonehouse near Stroud for Kent Instruments and major extensions to Phostrogen's factory at Corwen in Wales.

All these contracts are due for completion during 1979.

Services in hotels

HEATING, VENTILATING and air conditioning system and associated controls in the new Inter-Continental Hotel, Abu Dhabi, and the Inter-Continental Plaza, Dubai, are to be provided by ITT Controls, Middle East division.

The Abu Dhabi contract is worth $800,000 and is for the supply, installation, site supervision and commissioning of the pneumatic control system. It includes a supervisory data centre to monitor the entire building services.

A subsidiary contract is for $200,000, for the Plaza extension, some 60 miles from Abu Dhabi. When this Dubai hotel is completed it will be 20 storeys high.

Shepherd's £4.5m work

STARTING THE New Year with more than £4.5m worth of new contracts, Shepherd Construction has disclosed that the bulk of the work is to be carried out by its North-East offices, with projects ranging from the construction of a computer block to extensive prison housing.

Largest of the seven new contracts is one for 79 dwellings and garages at the new Shepherd-built prison at Brasside, Durham. The £1.2m 18-month contract from the Government's Property Services Agency includes four-bedroom detached and semi-detached houses, three-bedroom terrace houses, two-bedroom terrace houses and a single-storey staff room. Completion is due in June 1980.

The work is being undertaken by Shepherd's Tees area office, which has also just started on foundations at the Middlesbrough bus station, a contract awarded by the Cleveland County Council and worth more than £660,000.

Tyne area office has two awards worth more than £1m from the British Gas Corporation to construct offices, laboratories and a computer block on the Nelson Road Industrial Estate, Cramlington.

In Newcastle itself, work has just begun on a £387,000 contract for the Area Health Authority to alter and extend the outpatients' department at the Royal Victoria Infirmary. Elsewhere in the country, Shepherd has received a number of new projects, including an £811,000 contract to construct 69 dwellings and warden accommodation at White Abbey Road, Bradford, for the Anchor Housing Association, and factory extensions at Tredegar for the Welsh Development Agency, a contract worth £317,000.

Orders roll in to Bowey

THE BOWEY GROUP has announced that it has started 1979 with "a bagful of new orders."

Contracts range from a major hotel refurbishment to small office alterations. They include a local authority housing project in the North-East where work has recently started on 72 dwellings at Ambridge Place, Longbenton, for the North Tyneside Metropolitan Borough Council (£930,000).

Other contracts include the complete refurbishment at a cost of about £520,000 of the County Hotel owned by Thistle Hotels Group, the second phase of Tyne and Wear County Council's alteration to Blanford House in Newcastle to provide a central museum and archives building (£293,000), the building of further student accommodation at Henderson Hall for the University of Newcastle-upon-Tyne (£287,000), and extensions to the telephone exchange at Eaglescliffe (£58,000) and to the Post Office at Washington (£90,000).

Cranes for Sullom Voe

A £½m contract to supply four Monobox cranes to the Sullom Voe oil terminal has been won by J. H. Carruthers and Co. of East Kilbride.

The single box girder cranes of 5, 7½, 10 and 15 ton lift capacities, are to be installed in the meter buildings and pumphouse at the terminal. All the 65 ft span cranes have flameproof equipment suitable for use in Division 1 hazardous areas.

The order was placed by Foster Wheeler, management contractor for the construction of the project.

Awards to Tilbury

TILBURY CONSTRUCTION has begun the year well with five contracts together worth over £2m. The largest are the £730,000 solid waste transfer station at Nuffield Estate, Poole for Dorset County Council and at Warley Green near Bristol, a £428,000 sewer scheme for Lovell Homes.

The Mistley Quay and Forwarding Company has awarded Tilbury a £367,000 job for freight forwarding facilities at Rigby Quay, Mistley, Essex, and £356,700 for a car showroom and servicing facilities at Colliers Wood, London, S.W.19, while Chloride Automotive Batteries is to have a £153,000 extended production area at its Dagenham premises.

Hotel in Leningrad

THREE FINNISH contractors, Polar, Lemminkainen and Haka, are to build a big hotel in Leningrad as a turnkey project in co-operation with an American partner, Tower International, who is responsible for financing the project.

Designed by Finnish architect, Ilmo Valjakka, the hotel will have 1,000 beds and will be erected in Pobeda Square along the road which leads to Leningrad Airport.

The Finns will be responsible for the planning and building work and the hotel will be run by the Soviet tourist organisation Intourist. Completion date is scheduled for the spring of 1981.

Drill rig order for Holland

OFFSHORE division of Rijn-Schelde - Verolme Machinefabrieken en Scheepswerven NV of Rotterdam has received an order for a drilling rig of the Levingston 111 type, at a total cost of about £25m.

The agreement has been concluded with Centromor, on behalf of Petrobaltic, a joint organisation involving Poland, the USSR and East Germany, which is concerned with exploration for oil in the Baltic Sea.

The triangular drilling rig is of the jack-up type and has a deck which is over 63 metres in length, 54 metres wide and 6.7 metries high. The three legs are each 127 metres long. The rig can carry out drilling work at water depths of up to 91 metres.

This agreement covers not only the supply of the rig, i.e. the steel structure with standard equipment (e.g. the diesel generator sets), but also the complete drilling equipment. This includes the main drill with derrick, turntable, mud pumps, mud treatment unit and drilling equipment, such as drill pipes, bits, etc.

Awards to Henry Boot

A CONTRACT worth nearly £1m has been awarded to Henry Boot Construction by Matthew Hall Ortech, the main contractor, for a new coal preparation plant to be built at Hatfield Colliery, near Doncaster.

This contract, the largest of several totalling about £3m, covers design and construction of civil works which include bunkers, settling tanks, slurry tower, crushing and screening plant and washery building.

The next largest award, worth £700,000, is for 53 flats, at Church Street, Dumbarton, for Bield Housing Association.

The fully centrally heated flats will be of traditional brick and block construction with pre-stressed concrete floors and will be in three blocks.

Other contracts include council depot development at Garscadden, Glasgow, for Bearsden and Milngavie District Council (£370,000), renovation of council homes at Larkhall for Hamilton District Council (£350,000), extensions and improvements at the Department of Health and Social Security offices in Shields Road, Motherwell, for the Property Services Agency (£300,000) and construction of a connecting line from Bury locomotive junction to the Rawtenstall line for British Rail (£250,000).

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

Lightweight panels save heat

BRITAIN'S first "instant" factory to use glass-reinforced cement (GRC) pre-cast panels has been erected in Lancashire.

Called a "Stockshell" by its developers, it is claimed to demonstrate that system building need not sacrifice high thermal insulation values for its traditional appeal of low cost and speed of construction.

Savings in heat, outlay, and erection time have been achieved by the use of lightweight Thermacast panels which have a very high thermal insulation value, equivalent to two 11 in cavity walls. The U value is given as 0.42W per sq m per degree C.

Pioneered by Stocks Brothers (Buildings) of Garforth, near Leeds, the Stockshell system was developed to conform with Government regulations aimed at upgrading the insulation standards of industrial buildings. By incorporating a polystyrene core into the GRC panels, Stocks has gone beyond the minimum requirements while still retaining the immediate economies associated with modular buildings.

These savings recently became of particular significance to Presspart Manufacturing of Blackburn, when escalating orders committed them to producing over 10m deep drawn metal pressings every week for worldwide customers. It was decided that demand could best be met by housing one side of their operation — the manufacture of aerosol containers for asthma relief inhalants—inside a separate factory.

Presspart made it clear that their new factory would have to accommodate the entire aerosol manufacturing operation from the raw material warehousing and multitransfer presses through to final inspection, despatch and administration offices. The Stockshell design package took this into account and also ensured the correct positioning of windows, doors and roof lighting in the 10,000 sq ft building.

High manufacturing standards are applied to the Thermacast panels, providing an additional saving in the reduction of long term maintenance costs — and fire resistance is in line with modern building regulations.

Exterior panels have an exposed aggregate finish, and the interior flush face surfaces can be painted direct.

Stocks Brothers supply and erect the structural steel frames, the panels and the roofing on the Stockshells. The system is backed up by the company's design and build service throughout the country. Four different heights are available through five different widths and unlimited length.

Reduces power loss

BEING made available to the UK market by Technical Utilities (London) is a high conductivity aluminium alloy particularly suitable for overhead transmission line applications.

Ductalex conductors—used by the Swedish State Power Board—have good corrosion resistance, at least equivalent to conventional alloys, the chief advantage over other alloys being low resistance—about 10 per cent below comparable conductors of steel and aluminium, and aluminium/silicon/magnesium alloy. This lower resistance factor leads to significant reductions in transmission losses.

These conductors are an attractive proposition for replacing other conductors when refurbishing transmission lines when, in general, a higher transmission capacity is possible without disturbing existing towers.

South Western Electricity Board is assisting Technical Utilities in the development of Ductalex for transmission applications by undertaking, early this year, a trial replacement stringing and evaluation of the Hayle-Cambourne 132 kV line which is notorious for corrosion problems.

Ductalex is manufactured by Elektrokoppar of Sweden, from whom Technical Utilities has obtained exclusive world-wide marketing rights.

Technical Utilities is at Adelaide House, London Bridge, London EC4R 9DT. 01 626 4521.

● ENERGY

Power link in Tanzania

ENGINEERING and Power Development Consultants of Sidcup, Kent, a member of the Balfour Beatty Group of BICC, has been retained by the Tanzania Electric Supply Company (TANESCO) as consultant engineers for projects which include a 300 km transmission link from Kidatu to Mufindi via Iringa; substation extensions at Kidatu; new substations at Iranga and Mufindi; and mechanical and electrical engineering at Mbeya, Tabora and Dodoma diesel power stations.

A study to determine the number of transmission line circuits and the transmission voltage will be undertaken as part of the contract.

The value of the 300km link is put at £3m. It is being set up to provide energy to a large paper mill at Mufindi, the value of which has not been disclosed but which is considerably higher than the cost of the link.

● HANDLING

Pumps abrasive liquids

UNIVERSAL peristaltic hose pumps particularly suitable for pumping thin or thick abrasive or aggressive suspensions are available.

The pump is particularly simple in design and the pump hose, which is liable to wear, can be replaced easily and quickly. The life of this hose is between 2,000 and 8,000 hours, depending on the speed and counterpressure. Pressure discs are mounted on the rotor. The entire unit rotates in a pump housing, which is filled with glycerine for lubrication and cooling of the pump hose.

The pumping effect is transmitted by rotation to the hose by means of the smooth pressure discs in the glycerine bath, without the rotor coming into contact with the suspension to be pumped.

The inner wall of the hose is pressed together without internal friction. The abrasive particles in the suspension are held by the soft hose wall and return to the stream after the hose wall has been released, without damaging it.

The pump is fully self-priming; can build up a pressure up to 15 atm; and is suitable for substances with abrasive particles up to 15 mm diameter.

A patent application has been filed in all the major countries for both the pump design and the pump hose, and patents have already been granted in various countries, including the U.S.

The manufacturer is prepared to grant licensing agreements outside Europe.

Bredel B.V. Postbus 162, 2400 AD Alphen a/d Rijn, Holland.

● AVIATION

Hydraulic test equipment

AN ORDER valued at over £500,000 from the Property Services Agency has gone to Vickers Fluid Power to manufacture hydraulic test installations for aircraft servicing, at RAF Cottesmore and the RAF Maintenance Unit at St. Athan.

The order follows a design contract for the installation placed with Vickers earlier this year, and the successful commissioning of a similar test installation for British Aerospace at Warton, Lancashire.

Work on these latest sets of hydraulic equipment is now at advanced planning stage, and completion is scheduled for autumn 1979.

The Vickers aircraft hydraulic test system is currently the most advanced in existence the company asserts. Besides dramatically reducing the traditional high noise level associated with hydraulic testing, it offers a significant advance in operating efficiency and cuts aircraft turnround time.

Before the development of the Vickers system the testing of aircraft hydraulics has involved the use of mobile test rigs operated within the enclosed test hangar. However, with increasing hydraulic pressures and flow rates, noise from the rigs has become intolerable, usually resulting in servicing personnel leaving the hangar while testing takes place.

Power for the new Vickers equipment is provided by VFP pumps installed in a soundproofed power house situated outside the hangar. A high pressure oil supply is fed through an underfloor ring main from the power house to outlet points in the hangar floor. Mobile hydraulic control consoles, linked to the outlet points, control the power house equipment and monitor the supply of oil to the aircraft being tested.

The power house equipment also includes an integrated deaeration unit. This virtually eliminates the time-consuming de-aeration cycle previously needed after any aircraft component change involving hydraulics.

Vickers Fluid Power, South Marston, Swindon. 0793 82 3241.

● INSTRUMENTS

Tells when noise is too loud

COMPACT INSTRUMENTS is marketing a low-cost sound-level meter that is ideal for quick, on-the-spot noise checks in industrial and other environments.

The NA-14 can be used for the assessment of deafness risk as required by the Department of Employment's Code of Practice for Reducing the Exposure of Employed Persons to Noise.

The instrument meets the need for a simple to use, portable device that will provide reliable information on potential auditory hazards. It incorporates a clear, easy to read linear scale with a dynamic range of 40dB, which makes the need for frequent range changing, when measuring fluctuating levels unnecessary. A peak hold facility is included which, when selected, remembers the maximum RMS level occurring during the monitored period. Thus short duration transients can be checked without the need for long periods of careful observation.

Two ranges of measurement are provided, 50-90dB(A) to cover the lower range of sound levels in offices, workshops, etc and 80-120dB(A) for industrial applications. Both fast and slow meter characteristics can be selected. A CAL control on the front panel for use with a calibrator allows any slight variation in calibration to be compensated for while in use.

NA-14 includes internal alkaline, long-life batteries which give over 20 hours of continuous use and a battery check facility enables their condition to be monitored.

Compact is at Binary House, Park Road, Barnet, Herts, EN5 5SA. 01-440 6663.

Four colour plotter

CALCOMP has introduced a new, small pen plotter to the UK.

Model 1012 is a 4-pen plotter which produces drawings on A4 size fan-fold paper in 1, 2, 3 or 4 colours or line widths.

Designed primarily for on-line graphics applications, the 1012 incorporates CalComp's 906 delta format controller which allows the plotter to be connected to a computer.

CalComp, Cory House, the Ring, Berkshire RG12 1ER. 0344 50211.

● DATA PROCESSING

Messages handled quickly

ALLOWING messages to be directed to individual visual display units in a corporate computer centre in Jackson, Michigan, a new system has been implemented by Aeroquip (UK) with the introduction of Data Logic PTS 100 terminals. Aeroquip is a major producer of hydraulic hoses and fittings, oil seals, cargo-control equipment and related items.

A total of 12 displays together with a controller are sited at Aeroquip's manfacturing plant in Studley Road, Redditch, Worcester. A further eight units and controller have been installed at the company's Cardiff centre. In addition, Aeroquip has also installed a PTS 100 system with 12 displays in Baden-Baden, Germany. These displays communicate with Jackson, Michigan, via the Redditch centre.

Each screen has its own code and is able to interrogate files held on the IBM 370/158 computer in Jackson, as part of Aeroquip's Aero-Comm system. Equally, each is able to send or receive Aerogram messages. These are individually addressed and sent to the screen nearest to the recipient. If the screen is busy, a "mail waiting" message appears on a reserved line of the receiving screen, and is held until such time as it can be taken.

Using these systems Aeroquip is able to get very rapid response to enquiries about orders, customers, bills of materials, and stock situations. Handling their enquiries on-line speeds operations, improves efficiency and increases service to the company's customers.

PTS 100 terminals are linked directly to the mainframe throughout the working day and handle seven main application areas. Complete information on all customers is available at the terminals.

Previously, Aeroquip used cards to hold basic bill of material information. These have been superseded by making the information available on the screens—together with greater detail on the exact status of each component, the order position and the future requirements.

The Data Logic terminals enable the UK operation to make use of a comprehensive cross-reference system which was already running in the U.S., making instant retrieval of information possible.

Data Logic is at 29, Marylebone Road, London, NW1. 01-486 7288.

Automated warehouse

AUTOMATED WAREHOUSE CBS Manufacturing of Aylesbury, part of a worldwide record and tape producing company, has placed an order for a computer system from Computer Technology.

The order, for CTL's new mid-range processor, the CTL 8040 is worth in excess of £50,000.

The machine is to be incorporated in the company's new £12m warehouse project in Aylesbury.

Kodak breaks new ground

ORIGINALLY scheduled for availability in the UK last autumn, Kodak's Komstar computer output on microfilm (COM) machines have made their formal appearance at a relatively static moment in the market in relation to the bustle of 1975-76.

The company judges the moment to be correct, however, in particular because the machines have been quite successful in the U.S. where 100 have been sold since the June 1977 launch, 32 of them working on line.

Sales "pitch" that the company is making includes the idea that the new machines can be regarded as a computer room peripheral just like a printer or tape deck. For computer staff, strange problems of photochemistry, exposure levels, image density, wet processing and the rest are eliminated, operation consisting of little more than pressing the customary buttons.

Basically, the machine takes digital data either from tape or direct from IBM or ICL computers, turns it into alphanumeric characters, writes them on to "dry" film by laser and produces useable master fiche each holding 476 pages, at a maximum speed of one every 40 seconds.

Three machines are offered. Models 100 and 200 are plug-compatible with IBM 360 and 370, while the model 300 works off-line from tape. The respective prices are £47,000, £58,000 and £67,000. Special hardware code conversion has been written for the ICL 1900.

All the software is provided without additional charge; film in the 105mm size (the machine can also deal with 16mm film) is £50 for 75 metres (492 fiche), and it is supplied in easily-handled light-proof cartridges.

A helium neon laser beam is split into nine segments, each representing one dot in a 9 x 7 character matrix; electro-optical modulators determine which of the nine is on at any moment while the line scan and shift is provided by galvanometer mirrors. Character writing speed is between 10,000 and 20,000 per second.

The film used, Dacomatic DL, employs silver technology but the necessary developing and fixing chemicals are held in minute encapsulations in the film, which are burst by the application of heat from a roller.

Film however, has high resolution and can record 1,000 line pairs in a single millimetre and still leave a discernible distance between them.

Operator actions are minimal. A minicomputer-based controller sets up the machine for each job, selects the appropriate lens (reduction ratios of 24, 32, 42 and 48 to one are available), and deals with any retrieval indexing. The operator needs only to remove the finished, stacked fiche from the tray and duplicate them for distribution.

Two separate processing paths can be used simultaneously so that for example, a report on 16 mm roll film can be processed at the same time that another job is being recorded and processed on 105mm fiche.

Kodak states that the associated "Starlink" software packages are able to satisfy most users' production and application needs; if new requirements are identified the software will be updated.

In the main Kodak hopes to break new ground with the equipment among rather smaller companies (and some uncommitted big ones), admitting that the replacement market is mostly spoken for. It also does not see Komstar as particularly attractive to COM bureaux, not wishing to become involved in the software variability that would be entailed.

Station Road, Hemel Hempstead, Herts (0442 61122).

GEOFFREY CHARLISH

THE MANAGEMENT PAGE

DAVID FISHLOCK reports on the background to Fairchild Industries' new stake in data processing

A top U.S. aircraft maker spreads its wings

FAIRCHILD INDUSTRIES of Maryland—not to be confused with Fairchild Camera, the West Coast microelectronics company, although the same man started both in the 1920s—is one of the most profitable aircraft companies in the U.S. This is the claim of Mr. John Dealy, its president and the driving force behind a major diversification into new areas of electronics. His latest venture, last week, was the acquisition of a 20.6 per cent stake in Bunker Ramo, a U.S. electronic data processing group which is almost as large as Fairchild, with hints that this could be the first step to a merger. Four months ago Fairchild set up a joint venture with Marconi Avionics, a GEC company, to provide a new overseas outlet for its miniature TV system for pilots.

Dealy, still only 38, became president in October 1976 after two years as executive vice-president. He is a lawyer with an engagingly boyish enthusiasm for advanced technology, the bedrock of his reconstruction programme for Fairchild.

He joined Fairchild as general counsel in 1967 after helping the U.S. Air Force in its plans to sell Britain the F-111 fighter as a replacement for the hapless TSR-2. Soon after, he became deeply enmeshed in the company's plan to diversify into domestic satellite communications.

John Dealy at Farnborough with model of Fairchild's Thunderbolt 2 — Ashley Ashwood

Neglected to invest

For Fairchild the years between 1968-76 were, to quote Dealy, "relatively flat" for sales. Primarily a defence sub-contractor, it had nevertheless neglected in the 1960s to invest in the development of a major new weapon system, and was paying the price. The lead-times in this, as in other sectors of advanced technology, are long.

But a substantial company investment in the 1970s in a U.S. Air Force competition for a new front-line support fighter plugged this gap. Fairchild beat Northrop, and then Ling-Temco-Vought, in the battle for the A-10 contract, for which the Air Force has a basic requirement for 733 aircraft. It went into volume production in 1977. The first of these new high-performance fighters — now known as the Thunderbolt 2—to be stationed in Britain are scheduled to arrive any day now.

But Dealy had already decided that Fairchild should spread its risks more widely. It was too risky just being a subcontractor to government—it had to have its own technology to sell. Rich as the Thunderbolt contract is to the company, providing two-thirds of its sales of about $500m last year, it is still relatively short-lived; the present contract should be completed within four years. Dealy has set out to build a group with three quite different platforms: aerospace, satellite communications, and an industrial product business in such spheres as industrial and other control systems.

Ideally, he says, he wants to see each sector contributing one-third of the profits. "And we have the projects under way to accomplish this." He is also making big capital investments—$20m or more in the last year, three or four times as much as it was investing in the mid-1970s.

In aerospace, the plum contract is unquestionably the Thunderbolt, where Fairchild has responsibility for "every bit of the airframe and some of the avionics." It is worth $3m out of each $5m aircraft, with the balance going mostly to General Electric for its engine and gun. Winning this contract, says Dealy, has given Fairchild the chance to regroup and rebuild its engineering staff and in-house technology.

Beyond the basic US Air Force requirement, Dealy sees two possibilities for further business. One would be foreign sales—and here he has been offering European nations three options—an off-the-shelf fighter, a Fairchild derivative, or a joint venture with Fairchild to meet the customer's needs. His strongest card, he says, is the reason why the Pentagon itself chose the Fairchild fighter. This was because the company had designed a machine for minimum maintenance costs—the lowest, he claims, for any U.S. front-line fighter.

He believes that the Pentagon may want a second-generation Thunderbolt, and he has committed more than $10m of Fairchild's cash to develop a two-seater version, with the second seat occupied by a man responsible for the avionics. With the latest radars and night-sight sensors, he says, it would be equipped to seek "targets of opportunity" at night and in the worst kinds of weather. By mid-summer he hopes to have an "evaluation vehicle" flying. "The technology is there—it's just not been tied together, especially in the cockpit display area. We have to give the pilot a display he feels confident about."

Military aircraft apart, Dealy is pleased with the returns he is getting from a substantial Fairchild investment in commercial aircraft. It bought Swearingen Aviation—"marginally profitable"—in 1972, and found itself part of the fastest-growing segment of the commercial aviation business, commuter airliners. For example, its 19-seater Metro II turbo-prop picked up three-quarters of the U.S. business in its market sector in 1977-78.

FAIRCHILD INDUSTRIES 1977 SALES*

	$m.
Aircraft and parts	343.3
Space and electronics	35.8
Domestic (U.S.) communications	9.1
Commercial broadcasting	1.8
Industrial products	9.3
	399.3

** 1978 sales not yet audited, but expected by U.S. analysts to exceed $500m*

In addition the company still has a sizeable business as an aerospace subcontractor. "Good though small," is how Dealy sees its contracts for the Space Shuttle, the re-usable rocket under development for the National Aeronautics and Space Administration, scheduled to make its first flight this autumn. Fairchild is prime contractor for a multi-mission modular spacecraft to be borne aloft by the Shuttle and placed in low earth orbit. And for Boeing the company provides hardware worth up to $1m per Jumbo, at the rate of seven sets per month.

Platform number two, satellite communications, is one Dealy himself played a big part in designing from the outset, when he helped draft the company's original proposal to the U.S. Federal Communications Commission in 1971. Satellite communications is a "major long-term growth opportunity for Fairchild," he says, and to this end it has invested about $50m in the American Satellite Corporation, giving large client organisations an opportunity of by-passing the U.S. telephone system in their internal communications networks.

Fairchild's interest in the satellite business was kindled by the contract in 1970 to build ATS-6, the advanced technology satellite, for NASA—"still the most sophisticated satellite," asserts Dealy. Today it is one of four U.S. companies licensed to provide private satellite communications, alongside three leviathans: Western Union, RCA and AT and T (the Bell system). It leases about one-quarter of Western Union's satellite capacity and has ploughed its own money into terrestrial technology — from earth stations to rooftop aerials. It has about 30 earth stations operating across the U.S., all financed from its own coffers.

Sophisticated services

As a result, it can provide some highly sophisticated communications services, with high-speed computers talking to one another across the nation in real time. Its customers include NASA, for which it links the Washington headquarters with Cape Kennedy in Florida; the U.S. Air Force, for which it provides a national weather service; and such companies as Boeing and Sperry Rand. In this way, different parts of far-flung companies can use a common data bank and be assured of fast and accurate transmission.

Platform number three consists of a diversity of industrial products, many exploiting advanced technologies—computing and cryogenics (extreme cold) for example. At present much of this sector is concentrated in the industrial products division, which makes a broad variety of mechanical, electrical and pneumatic control devices and systems. In addition Fairchild is making cryogenic valves for the U.S. space programme, small computers for aircraft, and automated systems for data acquisition.

Broaden the business base

When Fairchild speaks guardedly, as it did last week, of looking on its acquisition of stock in Bunker Ramo as an effort to broaden the business base of the company, it has in mind primarily a strengthening of this third sector of business. Bunker Ramo, based in Illinois, is essentially an electronics systems company, with activities ranging from a company that manufactures electrical connectors to such technology as information systems and services for financial operations and specialised electronic systems for research centres. It also boasts textile technology for the manufacture of knitted garments and carpets.

A glance at the accompanying table seems to say that Dealy still has a long way to go before profits from his three designated platforms are in balance. American Satellite, a long-range investment, lost money in 1976 and 1977. Sales of industrial products are minuscule compared with the aircraft sector. But, stresses John Dealy, "the less visible parts of the company are very profitable." Pneumatics alone, for example, made $2m pre-tax profit in 1977 on a turnover of only $7m. Nourished by his evident enthusiasm for making profits out of advanced technology, Bunker Ramo may flourish in association with Fairchild.

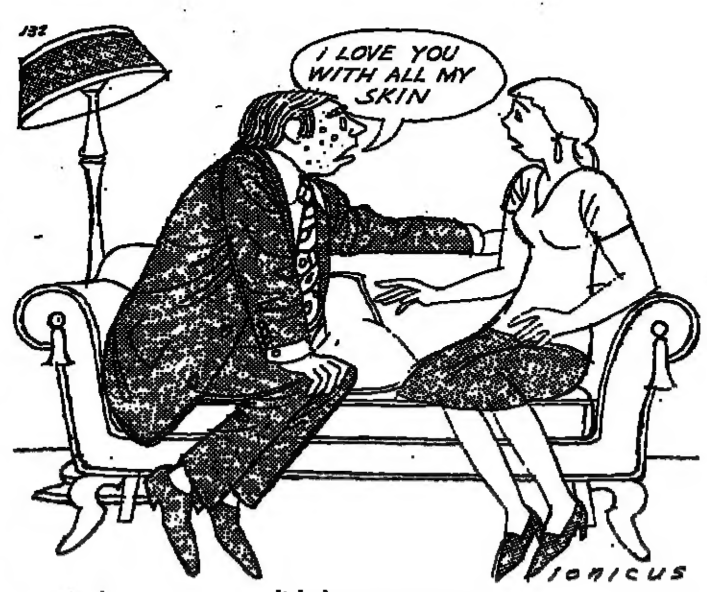
EXECUTIVE HEALTH — BY DR. DAVID CARRICK

A complex covering so vital to survival

ONE OF our most intimate possessions is a flexible, continuous covering which, as well as being a defensive barrier, performs complex functions vital to survival. I refer to a word which is as polite as it is prosaic—the skin.

Unlike that somewhat crude structure the heart, skin lacks romance; yet it is just as important to survival and difficult to replace if destroyed. But men pay scant attention to it until it falls victim to some unsightly affliction; and many women use parts of it as an easel for a variety of paints and potions in an attempt to enhance perfection.

It has many functions. It protects the body from invasion and yet prevents the loss of vital body fluids and chemicals, thus helping to regulate the internal environment. Foreign bodies, whether solid or fluid, are kept out. Light is screened and if the "sun-worshipper" lies too long in the sun, a tan, due to the mobilisation of melanin, is produced—this is not for beauty but to stop the owner damaging himself. The skin helps to supply vitamin D and, through the activity of its sweat-glands, and by the complicated regulation of a dense system of small blood-vessels, it is an essential factor in the regulation of body-temperature. It faithfully records touch, temperature and pain. Appendages, such as hair and nails have lost much of the importance they retain in animals—yet the hairs are still valuable as sensory indicators and very valuable on the head as protectors against ultra-violet light. Bald men should not go hatless under a fierce sun.



. . . it lacks romance . . .

Jocularity and cynicism

Despite our blasé attitude to the skin when all is well, any disturbance or eruption causes much dismay, and most general practitioners will agree that dermatitis of various kinds figures in the top three of the first division of common complaints.

Dermatology as a speciality has always caused some jocularity and cynicism among other doctors. And dermatologists have always suffered (albeit in comfort) many verbal slings and arrows. An ancient adage has it that they have the best of every world because "they are never called out at night; their patients rarely die and yet seldom get better," which is all very cruel and largely untrue.

As for treatment, whereas nowadays there are numberless nostrums available, at one time it used to be said that methods were very simple and included rules such as: "if it is wet — dry it; and if dry — wet it" as well as others concerning interesting colour-schemes.

I suffered some of the latter when I was at boarding-school. Somehow or other I contracted impetigo, a nasty eruption usually due to bacteria, not dirt as some still think. Fortunately another boy caught it and we were delighted to be banished to the sanatorium. The school doctor and the matron were deadly rivals when it came to treatment. Each swore by his or her method. Thus I, at the hands of the doctor, had my face painted a charming shade of purple; while poor Sam had to suffer a ghastly green dye from Matron's paint-brush.

Each day we were carefully inspected by the rivals looking for the slightest advantage in their respective methods. Neither won because, to our eternal shame, I must admit that, by diligent, digital interference, we spun the disorder out for six glorious weeks, until we suffered spontaneous cures on exactly the same day.

There are innumerable skin disorders and many are disturbing and depressing. To a pretty girl, pneumonia (which excites sympathy) is a far preferable disease to acne because most cases can be cured easily. Besides, acne does not excite the compassionate and tends to repel the passionate. Thus, to the physical problem, powerful psychological traumas may be occasioned, a situation full of disadvantages.

The callous or careless

But acne and most skin disorders can be cured or alleviated by a caring and persistent physician. None has ever been despatched by the callous or careless with such remarks as: "you'll grow out of it"; or "it's very common"; and worst of all, "you'll just have to live with it." No, to a spotty girl of 28 or to an equally marred young executive who has been suffering for years, such comments do not produce felicity and may actually alter the course of life.

LOMBARD

A debate among economists

BY PETER RIDDELL

ECONOMISTS are generally a gregarious bunch—perhaps because of their vulnerability to outside critics — but until recently the rival schools of opinion often appeared hardly to recognise each other's existence. Indeed, the Commons Expenditure Committee inquiry in 1974 into how the economy had been run noted in its report that some of the witnesses had never even met. This was apparently a reference to the main monetarist and New Cambridge protagonists.

Accordingly, the Committee recommended that leading economists should meet in one or a series of seminars in order to appraise each other's views and, it was hoped, arrive at agreement upon them. After time-lags familiar to all economists, the National Institute, with the backing of the Nuffield Foundation, organised a conference along these lines on demand management in December, 1977. This was followed by the publication of the papers and a report of the discussions; the format was inspired by the Brookings Panel Conferences in the U.S. A second conference on de-industrialisation was held last summer and the report is published today.

To define

The reports on both conferences show that the format has forced economists of a wide range of views into a rigorous examination of not only other people's but also their own views. This has helped to define the nature of the problem even if not to produce an agreed solution. Both discussions revealed the elusiveness of common ground, not only in the absence of agreed policy proposals but also at the level of the technical design of forecasting models. Ironically, an element of common ground at the end of the December 1977 conference was the agreement that a measure of fiscal relaxation was appropriate then: this conclusion might not receive such widespread support with hindsight.

The new study is fascinating though rather depressing. Mr. Frank Blackaby notes in his conclusion that the conference was reasonably agreed that de-industrialisation—their word not mine—was a new label for an old problem—the relatively poor competitive performance of British manufacturing industry.

There was little backing for the main part of the "Bacon and Eltis" argument that rising government expenditure was the source of manufacturing industry's contraction. Indeed it could be argued that, so far from squeezing manpower from manufacturing industry, the expansion in public spending was designed to maintain full employment in the absence of sufficient demand for labour.

There was, in Mr. Blackaby's words, "some greater sympathy—but not universal agreement—for the other arm of the public expenditure argument: that the rise in expenditure had led to an increase in personal taxation, which had intensified wage push, which had squeezed profits, and so had reduced investment."

Instead, there was broader agreement that "the matter for concern was the progressive failure to achieve a sufficient surplus of exports over imports of manufacturers to keep the economy in external balance at full employment." But after agreeing that problem had really been with the UK for at least 100 years the economists were less united on the appropriate diagnosis and treatment.

The list of explanations, and hence prescriptions, is familiar. Import controls, the degree of government intervention and industrial democracy each divided the conference. On exchange rate policy, Mr. Michael Posner's advocacy of "a rather mild use of the exchange rate was generally (but not universally) accepted: that it was worth using the exchange rate in a moderate way—moving it down now by, say, 10 per cent—but that it was not an instrument which could be used fully to compensate for the failure of non-price competitiveness."

The merits

Even one and a half cheers for the exchange rate begs a lot of questions about how the rate can be manipulated in a world of monetarist expectations. The merits of fixed and floating exchange rates is one of the topics to be discussed at the National Institute's next conference in June on international policy. On past form, there may not be any clearcut answers but so far at least the debate has been worthwhile.

"De-industrialisation," edited by Mr. Frank Blackaby, published by Heinemann on behalf of the National Institute of Economic and Social Research, price £5.50 (paperback) and £9.50 (hardback).

Law Lords refer case to European Court

THE WEEK IN THE COURTS

BY JUSTINIAN

THE IMPROBABLE event of the smuggling of a large quantity of pornographic films and magazines into this country from Holland through the Rotterdam-Felixstowe route has provided the legal world with a unique precedent—the first reference of a case to the European Court of Justice at Luxembourg by the House of Lords. Within the next fortnight the Law Lords will be asking the European Court to interpret certain provisions of the Rome Treaty before their Lordships decide a criminal appeal from the Court of Appeal.*

The problem posed to the English courts rose out of a prosecution at Ipswich Crown Court in July 1977 for importing indecent and obscene material that is absolutely prohibited by a provision in our customs and excise legislation. The defendants' argument was that, as a result of the right of free movement of goods within the Common Market, that national prohibition could no longer stand.

Article 9 of the Rome Treaty establishes the customs union of the EEC member-States declaring that it covers all trade in goods and involves the prohibition of customs duties on imports and exports and of all charges having equivalent effect. Article 30 specifically provides that "quantitative restrictions on imports and all measures having equivalent effect, shall be prohibited between member-States." But Article 36 states that that provision shall not preclude prohibitions or restrictions on imports that are justified on grounds of public morality, public policy or public security.

The Court of Appeal last July dismissed the defendants' appeal against their conviction for smuggling pornographic material from Europe. First, it said that the prohibition on import of pornography was total and not merely measured by the quantity: the EEC provision striking at restrictions on imports of goods was qualified by the adjective "quantitative" so that where the restriction was not related to a quantitative measure the EEC law had no application. Second, the Court thought that it was impossible, in any event, to say that the prohibition on the import of obscene literature could be anything other than a prohibition justified on the grounds of public morality and public policy.

Lacking any doubt about the result of the impact (or rather, the lack of impact) of the Rome Treaty on English customs control, the Court declined the invitation to refer the interpretation of the various Articles in the Rome Treaty to the Court at Luxembourg. It further refused to give the defendants leave to appeal to the House of Lords. Contrariwise, not only did the Law Lords last November grant leave to appeal but they also indicated that, before they heard the appeal at all, certain questions should first be referred to Luxembourg.

This approach to issues of Common Market law is in sharp contrast to the attitude adopted by lower courts, in particular the Court of Appeal. Although there have been references from this country's courts to Luxembourg, mostly by individual judges (including a metropolitan stipendary magistrate and a circuit judge), the Court of Appeal, on the civil side, has yet to make a reference. This reflects the policy of Lord Denning, the presiding judge in the Court of Appeal.

When the question of when and how should an English court refer a case to Luxembourg first arose in May 1974, Lord Denning laid down some guidelines that have not found universal approval among the judges. In essence, Lord Denning was saying that, unless the point on Community law was really difficult and important, it was much better that an English judge should decide the point for himself. This seemingly jingoistic attitude was dictated by the prospect of delays and expense involved in trips by litigants to Luxembourg in the middle of protracted litigation. And with the growing workload of the European Court, there was a proper desire to limit the number of references to those that positively needed to be dealt with by the one tribunal specifically allocated that authoritative function. The House of Lords in its approach to the smugglers' case, appears to be acting more in accordance with the spirit of the Rome Treaty than the Court of Appeal has so far displayed.

A study of the practice of the European Court, and the national courts of the other member-States, before and since our entry discloses a collaborative forensic process in which a single purpose has been achieved harmoniously between the two courts performing separate roles; the clear division being between interpretation of Community laws by Luxembourg, and implementation of those laws by the national courts. By studied judicial courtesy, it has been possible to maintain mutual respect for differential judicial responsibilities. Adherence to the separate functions, while collaborating in the performance of complementary roles, is the essence of the partnership envisaged in the interplay of national legal systems and EEC law.

Experience to date has been that quite the largest number of requests for rulings from Luxembourg have come from the lower courts. There is a positive virtue in an early reference, since that allows problems of Community laws to be resolved rapidly in the preliminary stages of litigation and provides the European Court with the earliest opportunity of resolving doubts for all the courts of the member-States. Such a procedure reduces protracted discussions on Community laws and minimises the risk of a series of judgments given, as it may transpire, in error. Supposing an English judge, following the precept laid down by Lord Denning, takes it upon himself to interpret a Community provision, and the parties do not litigate the matter further beyond the judge's ruling. Subsequently, that judicial interpretation might be overthrown by the European Court, but meanwhile the law remains uncertain. Much better that the issue be authoritatively resolved at the earliest opportunity.

Given this approach, it should be rare indeed that the Lords would ever be faced with the obligation itself to refer a case to Luxembourg; any reference in a case involving an EEC law would have to be made at some stage of the litigation on its way to the House of Lords. That the precedent of a House of Lords' reference has occurred only six years after Britain's entry into the Common Market, demonstrates a failure in the proper approach to such references. The Court of Appeal, in the smugglers' case, ought to have made the reference itself, which might have obviated any necessity for the Law Lords themselves to entertain an appeal.

Now that the question of making references to Luxembourg has come before the House of Lords, one may hope that the final court of appeal for this country will review the guidelines established by Lord Denning four-and-a-half years ago, and that lower courts will be told that, wherever there is any doubt about what a Community law means, the best course is to accede to a request to refer the matter to Luxembourg. If that policy entails a potential overloading of the work for European Court judges, it may mean making some radical changes in procedure in that Court. But the alternative of having national judges trying to do the work of the judges at Luxembourg will only harm the collaborative spirit that has so far prevailed within the judiciary and legal professions of the Common Market.

* *R v Henn and Darby 1978 1 W.L.R. 1031 and 1407.*

Latest volume for breeders is another collectors' item

RACING

BY DOMINIC WIGAN

YET ANOTHER volume of that unique publication, The Bloodstock Breeders Review, is again with us, and like the Timeform Racehorses Annual, it is showing no signs of flagging with age.

Pure and simply an account of world-wide racing and its breeding industry the review, published annually for nearly 70 years, undertakes an immense task with unerring success.

The latest edition contains some 400 pages of text, 150 of them dedicated to reviewing the British Racing and Breeding Year. North America with 60 pages, and France with half that number, are also covered in more detail than in any other British publication. The breeding and racing industries of such countries as Trinidad and Turkey also come in for examination.

Although the latest volume in the long line deals with 1976, and could be considered somewhat dated it should again have a ready market, for the review sells almost exclusively to enthusiasts with the aim of a collection and posterity in mind.

The Bloodstock Breeders' Review (Thoroughbred Publishers Limited 26, Charing Cross Road London, WC2, £22, plus £1.25 postage and packing) does great credit to its editor, Tony Morris, for it shows the remarkable depth of his research and almost inexhaustable stamina.

Another well established turf publication, with an equally enthusiastic following is the Hunter Chasers and Point-to Pointers 1979, published by Horse and Hound, Kings Reach Tower, Stamford Street London, SE1, at £6.15.

All horses which ran in this type of racing last season are covered in this highly informative and often amusing annual. No one could accuse the two compilers, Iain Mackenzie and David Phillips, of beating about the bush.

For instance, it says on Bahuddiu's victory in an open hunter-chasers' event: "the stewards had no idea whether they were coming or going."

The compilers are equally blunt about that one-time popular Staff Ingham Horse Asdic, saying: "must have a major defect." The book also tells us that tough chaser, Garnishee, who in his heyday landed the Massey-Ferguson Gold Cup, broke down at Tweseldown; and that the great Metropolitan and Northumberland Plate winner, Tartan Prince, had a heart attack and died in mid-air at the Essex Union.

CHEPSTOW

1.30—Lager Boy
2.00—Royal Marshal II***
2.30—Listen Here*
3.00—Dutchman**
3.30—Double Negative
4.00—I'm Lucky

TV/Radio

† Indicates programme in black and white.

BBC 1

9.15 am For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Barnaby. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Maxidog. 4.25 Jackanory. 4.40 Playhouse. 5.05 John Craven's Newsround. 5.10 Blue Peter.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 Question of Sport.
7.20 The Rockford Files.
8.10 The White Tribe of Africa.
9.00 News.
9.25 The Monday Film: "The Mechanic" starring Charles Bronson.
11.00 Tonight.
11.40 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Wales—1.45-2.00 pm Pili Pala. 4.40 Crystal Tipps. 4.45-5.05 Bobol Bach. 5.55-6.20 Wales Today. 6.50-7.20 Heddiw. 11.40 News and Weather for Wales.

Scotland—10.00-10.23 am For Schools. 5.55-6.20 pm Reporting Scotland. 11.40 News and Weather for Scotland.

Northern Ireland — 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and Weather for Northern Ireland.

England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.30 am Multi-racial Britain.
11.00 Play School.
2.15 pm Let's Go.
2.30 The Craft of the Potter.
3.00 That's The Way The Money Goes.
3.30 Delia Smith's Cookery Course.
4.00 Modern Language Teaching.
5.35 News on 2 Headlines.
†5.40 Charlie Chaplin in "The Floorwalker."
6.10 Animal World.
6.55 The Water Margin.
7.40 In The Post.
8.05 Mid-Evening News.
8.15 The Marti Caine Show.
9.00 Monty Python's Flying Circus.
9.30 The Body in Question.
10.20 Arena.
11.00 Tele-Journal.
11.25 Late News.
11.40 Closedown (reading)

LONDON

9.30 am School Programmes. 12.00 The Wotsit From Whizz-Bang. 12.10 pm Rainbow. 12.30 The Cedar Tree. 1.00 News plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon Plus. 3.20 Raffles. 4.20 Clapperboard. 4.45 The Paper Lads. 5.15 Batman.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 The Ken Dodd Show
7.30 Coronation Street.
8.00 Feet First.
8.30 World in Action.
9.00 Danger UXB
10.00 News.
10.30 The Eamonn Andrews Show.
11.30 Snooker — Holsten Lager International.
12.25 am Close: Readings from Jung, with a painting by John Bellany.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 2.25 Monday Film Matinee: "McNaughton's Daughter." 5.15 University Challenge. 6.00 About Anglia. 10.30 Feature Film: "The Legend of Lylah Clare," starring Kim Novak. 12.55 am Reflection.

ATV

1.20 pm ATV Newsdesk. 5.15 Oh No, It's Selwyn Froggitt. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 Our People. 11.30 Barnaby Jones.

BORDER

†1.20 pm Border News. 2.00 Houseparty. 2.25 Matinee: "Take One False Step," starring William Powell and Shelley Winters. 5.15 University Challenge. 6.00 Lookaround Monday. 6.20 Cartoon Time. 10.30 Report. †11.00 Late Film: "The Knack . . . and How to Get It," starring Rita Tushingham. 12.30 am Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. 2.25 The Monday Matinee: "I Deal In Danger." 5.15 University Challenge. 6.00 Channel News. 6.10 Spiderman. 10.28 Channel Late News. 10.32 Country Style. 11.00 The Suspense Film, "It." 12.40 am Channel Gazette followed by News and Weather in French.

GRAMPIAN

1.20 pm Grampian News Headlines. 5.15 University Challenge. 6.00 Grampian Today. 6.05 The Electric Theatre Show. 10.30 Reflections. 10.35 Sportscall Special. 12.05 am Grampian Late Night Headlines.

GRANADA

1.20 pm Dodo. 2.25 Monday Matinee: "Marriage: Year One." 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Happy Days. 10.30 Reports Politics. 11.00 Mystery Movie: McCloud.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 5.15 The Undersea Adventures of Captain Nemo. 5.30 Crossroads. 6.00 Report West. 6.22 Report Wales. 10.35 The Monday Film: "Track of The Cat," starring Robert Mitchum and Teresa Wright.

HTV CYMRU/WALES—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 2.00-2.25 Hamdden. 2.25-3.20 After Noon Plus. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV WEST—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.22-7.00 Report West.

SCOTTISH

1.25 pm News Headlines and Road Report. 5.15 Cartoon. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Crimedesk. 6.30 Saga of The Century. 10.30 From The Top. 11.00 Late Call. 11.05 The Detectives—Columbo.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. †2.25 Monday Matinee: "My Cousin Rachel," starring Olivia de Havilland. 5.15 Sinbad Junior. 5.20 Crossroads. 6.00 Day by Day. 6.45 Dick Barton—Special Agent. 10.30 Southern News Extra. 10.35 Star Treatment. 11.05 The New Avengers. 12.05 am Farm Progress.

TYNE TEES

9.25 am The Good Word, followed by North East News Headlines. 1.20 pm North East News and Lookaround. 2.25 Family. 3.20 Generation Scene. 3.35 Cartoon Time. 3.50 Lassie. 5.15 University Challenge. 6.00 Northern Life. 11.30 Winners and Losers. 12.00 Epilogue.

ULSTER

1.20 pm Lunchtime. 2.25 Keep Up With Yoga. 2.55 The Friends of Man. 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.30 Monday Night. 10.40 Hawaii Five-O. 11.35 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.25 Monday Matinee: "I Deal In Danger." 5.15 University Challenge. 6.00 Westward Diary and Sports Desk. 10.28 Westward Late News. 10.30 Country Style. 11.00 The Suspense Film, "It," starring Roddy McDowall. 12.40 am Faith For Life. 12.45 West Country Weather, Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.25 Family. 3.20 Heart to Heart. 3.50 Andy. 5.15 Crossroads. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 Sportsman of The Year Dinner. 11.15 Twist In The Tale.

RADIO 1

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.00 Andy Peebles. 5.30 Newsbeat. 5.45 Kid Jensen. 6.31 Stayin' Alive. 7.30 As Radio 2. 10.02 John Peel (S). 12.00-2.02 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 David Allan (S). 7.32 Ray Moore (S) including 8.27 Racing Bulletin and 8.45 Pause For Thought. 10.02 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 David Hamilton (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S). 6.45 Sports Desk. 7.02 Music From The Movies (S). 7.30 Alan Dell: 7.30 The Dance Band Days. 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 9.55 Sports Desk. 10.02 The Law Game. 10.30 Star Sound. 11.02 Brian Matthew introduces Round Midnight including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3

6.55am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Franz Berwald (S). 9.50 Talking About Music (S). 10.20 Scottish University Concert, part 1 (S). 11.00 Interval Reading. 11.05 Concert, part 2. 11.35 BBC Scottish Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Music For Organ (S). 2.50 Matinee Musicale (S). 3.50 New Records (S). 5.15 Bandstand (S). 5.45 Homeward Bound (S). 6.30 News. 6.35 At Home (S). 7.30 Wigmore Hall Summer Festival 1978: Song recital, part 1 (S). 8.15 The Art of Saul Steinberg (talk by John Hollander). 8.35 Wigmore Hall, part 2 (S). 9.25 Suspicions of Poetry (talk by Donald Hall). 9.55 Kertesz Conducts Dvorak (S). 10.35 Bach (S). 11.25 Jazz in Britain: Lysis (S). 11.55-12.00 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today: Magazine, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 John Ebdon with the BBC Sound Archives. 9.00 News. 9.05 Start The Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 The Birth of "The Listener." 11.45 Listen With Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Quote . . . Unquote (S). 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather, programme news. 6.00 News. 6.30 Lord Peter Wimsey. 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The Monday Play (S). 9.15 All We Want Is Your Happiness, Bryan. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Great Divide. 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.03 Late Night London. 12.00-Close As Radio 2.

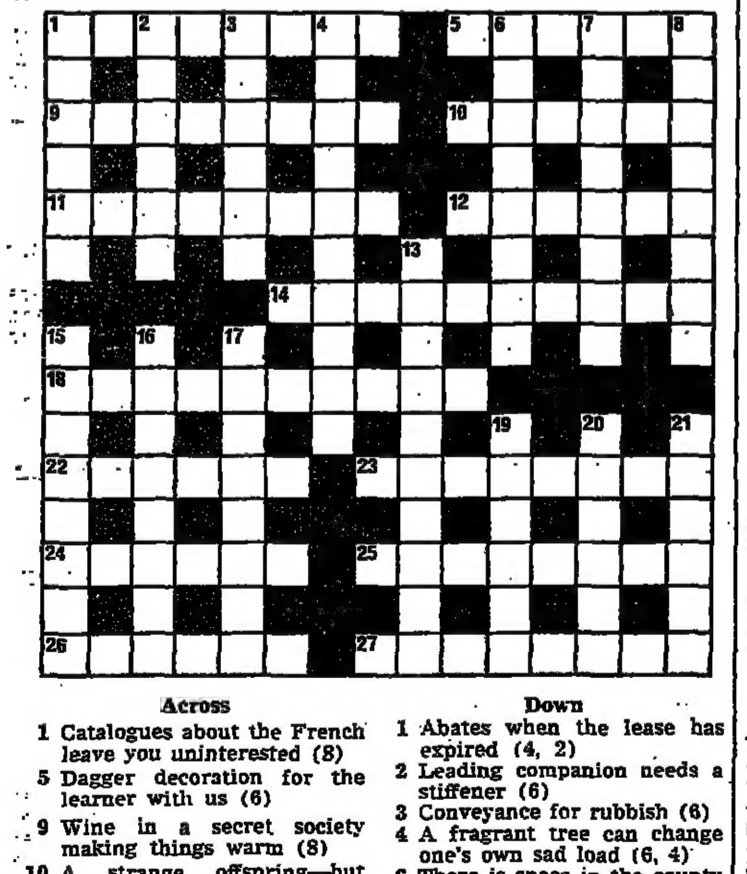
London Broadcasting

5.00 am Morning Music. 6.00 AM: news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Mike Allen (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,871



Across

1 Catalogues about the French leave you uninterested (8)
5 Dagger decoration for the learner with us (6)
9 Wine in a secret society making things warm (8)
10 A strange offspring—but with a good chance of winning (4, 2)
11 John Bull's counterpart overseas (5, 3)
12 A brace for fifty in a car (6)
14 Sugary melody (5, 5)
18 More spoilt oddly enough in the capital (10)
22 Justification of sanity (6)
23 In Guyana two artists join the township (8)
24 Is inciting — Humpty Dumpty? (4, 2)
25 Adherent to raise his voice about credit (8)
26 Becoming weary of dressing (6)
27 Socialist-slanted command (4, 4)

Down

1 Abates when the lease has expired (4, 2)
2 Leading companion needs a stiffener (6)
3 Conveyance for rubbish (6)
4 A fragrant tree can change one's own sad load (6, 4)
6 There is space in the county for those who wish to retire (8)
7 A collection the writer must not miss (4, 4)
8 Stretch that expresses thought (8)
13 Society girl finds it on the way in—but there is no credit in it (5, 5)
15 Engineer comes up to the fellow on the way out (8)
16 Alien telephoned during disturbed rest (8)
17 Have a good time, but not in the country (2, 2, 4)
19 Obstacles for receivers (6)
20 It's easy for one current in line (6)
21 Object for a sailor to reach (6)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Covent Garden

Don Pasquale

by MAX LOPPERT

The rest is uneven, but at the centre of the current *Don Pasquale* revival are two incomparably fine performances—Geraint Evans' of the title role, Ileana Cotrubas' of Norina. The shallow and often inapposite jokiness that afflicted the original 1973 production by Jean-Pierre Ponnelle has been toned down by Charles Hamilton, who now stages Donizetti's *dramma buffo*. Even so, comedy still tends to be expounded in terms of stage business — Ernesto's elaborately choreographed entrance at the start and Norina's duenna with her giant knitting needles form the most obtrusive examples—rather than of character. Yet with these two supremely vivid players as antagonists, the portrayal of character is strong enough to outweigh any attendant cosmetic application, and the opera gains in sentiment as well as in high good humour.

With each revival Sir Geraint has grown more surely into the part of "an elderly bachelor, cut along antique lines, economical, credulous, obstinate, a *good fellow at bottom*" (the description is taken from the first edition of the score, as quoted by Weinstock). The portrayal is now impeccable in detail down to the unexaggerated stiffness of joint, especially in the kneecap area; it is delightful in action, full of subtly touching illuminations (as in the heavy, final way in which Pasquale collapses on to his chair when slapped, a moment of real pathos); and voiced with the dark, steady flow of tone the singer has not always guaranteed in recent seasons. His is a performance so carefully controlled as to seem entirely spontaneous.

After a slightly tremulous start, Cotrubas's tone soon filled out and cleared in a way to make one fall in love with her all over again. She has the gift, matchless in Donizetti comedy in particular and in operatic comedy in general, of increasing the limpidity of her line, of tightening its legato binding, in response to the intricacy or complexity of the comedy. So "Via, caro, sposino" was at once charming, tender, piquant, and lovely to listen to —the right combination of virtues at exactly the right moment.

Between the two, the play flashed and sparkled, holding the sympathies of the audience in a just and precise balance. The quartet of principals was, as a whole, not so well balanced. Stuart Burrows acts an unromantic, Pickwick-ish Ernesto, though the voice sounds (mishap in the closing bars of "Cercherò lontana terra" notwithstanding) in good shape, forward and clear. Malatesta demands a rather smoother conjunction of voice and manner than Jonathan Summers, in his first attempt at the role, has so far discovered. (The danger that those garish checked trousers will come to dominate the singer who wears them is one that has so far been resisted only by the unforgettable Sesto Bruscantini.) On Friday, the orchestra made a bumpy impression in the overture; but enough was both lyrical and vivacious about the later stages of the opera to persuade one that the young Italian conductor Riccardo Chailly (making his house debut) understands what is most important in this unfailingly endearing opera.

Geraint Evans and Jonathan Summers — Leonard Burt

Purcell Room

Young Artists

by NICHOLAS KENYON

This year's invaluable Park Lane Group series presenting young artists in 20th century music has not had a week-long theme to match last year's exploration of Richard Rodney Bennett's chamber works. Still, better not to force these artists into a mould in which they will feel constricted. When the mould fits, so much the better, and on Friday night the chance was taken to juxtapose the cellist Alexander Baillie and the Gallina Brass Quintet in two works by Justin Connolly.

Baillie, a slightly introverted figure on the concert platform, given to patting his cello deprecatingly during the applause, projected Connolly's *Tesserae C* with perfect poise, mixing accuracy with brusque attack, rhythmic skittishness with plangent sustained tone. The piece is based—one could not possibly guess—on the proportions and pitches of the hymn "Dear Lord and father of mankind"; but its five movements suggest a symmetrical version of the baroque dance suite, with a gigue, sarabande and *burlesca* at the centre. Baillie's control of note values and of expressiveness in the central sarabande was a marvel, and has meditative introversion realised precisely the content of the final movement, a wandering set of echoes of the opening.

In this piece, it was easy to judge him an outstanding talent. Earlier, in Britten's Third Cello Suite, it had been more difficult to put aside memories of Rostropovich's compelling performances of the work. Unsurprisingly, Baillie has not yet quite the silky beauty of sound or all-embracing conception of the work which its dedicatee shows. Nevertheless, there were moments where he showed a fully individual approach: his *barcarola* had a tranquillity, and his fugue a careful, strongly-argued logic, which Rostropovich's emotionalism tends to submerge. And Baillie's account was at all points deeply considered; he never outreached himself technically nor took refuge in surface brilliance. Those are rare virtues these days.

The evening's other work by Justin Connolly was his marvellous 1966 *Cinquepaces* for brass quintet. The five girls (coincidentally or didactically?) of the Gallina Quintet never quite succeeded in matching its stature: its lively dance sections rumbled solidly, while the interludes were co-ordinated only with difficulty. There was individually excellent playing and Helen Crayford directed the proceedings skilfully from the first trumpet desk, but this work surely needs as much attention and as much precise ensemble as a string quartet.

The Gallina Quintet also presented the evening's new work, *The Red Fox Burning*, by Rupert Scott. Except in that it did not begin to live up to the fiery passion of its Dylan Thomas title, this was a cheerful, satisfying work. Not over-exploratory in terms of brass technique: the opening section had a reliance on fanfare figures, the central section a broody use of mutes and static chords and the conclusion a fun exploration of rhythmic jokes and vulgar vibrato, all of which made it entertaining but unoriginal. But it was clearly the work of an accomplished writer and a good vehicle for the talents of the Quintet.

WNO appointment for Adrian Slack

Adrian Slack has been appointed director of productions by Welsh National Opera from July 1. Mr. Slack, who is 29, is currently director of productions for the State Opera of South Australia and was recently appointed artistic director of the Wexford Festival.

Teatro la Fenice, Venice

Il trovatore

by MAX LOPPERT

This great and important theatre—is there another in the world more enthralling to arrive at, more beautiful to be in, more comfortable for the major part of the operatic repertory, from the small in scale to the medium-large?—has fallen upon difficult times. Last May a bombshell landed upon the Italian opera houses, as opera house superintendents, artistic directors, and other concerned persons were taken into temporary arrest for having allegedly violated Italy's byzantine regulations governing the hire of artists. The result, at the Fenice, was the removal of the superintendent, Eugenio Bagnoli.

But internal troubles in the theatre had already been simmering for some while, and had already led to the forced resignation of the composer Sylvano Bussotti, for three years the theatre's highly controversial artistic director. (The intricacies of the particular situation, and of the Italian opera-house situation in general, linked as they are at every level to political party allegiances of extraordinary tortuousness and complexity, are as difficult for the outsider to tease out as a crossword puzzle without clues.) The final consequence of the May turmoil, in conjunction with the inherited disturbances, was that the ruling council of the theatre resigned *in toto*.

A commission set up by Rome to investigate what one journalist has called the "opera buffa administrativa della Fenice" has also taken over responsibility for the 1978-79 season, relying on the artistic counsel of a former Fenice musical director, the conductor Ettore Gracis. Bagnoli had already mapped out a season: the precarious balance of finance in the theatre now required a 50 per cent cut in the projected budget. Important new productions—the *Wozzeck* that was to open the season, produced by Götz Friedrich and conducted by the Venetian composer Giuseppe Sinopoli; *Die Zauberflöte*, produced by Giorgio Pressburger, conductor Zoltan Pesko—had to be scrapped. The bill of fare that remained consists almost entirely of basic operatic repertory—*Tosca*, *Barbiere*, *Traviata*, and so on, with only a visit by the Moscow Chamber Theatre (bringing Shostakovich's *The Nose*) and the Venice premiere of Sciarrino's *Aspern* to promote any artistic novelty.

In the circumstances, the level of competence reached by the *Trovatore* that opened the season last month seemed something of a miracle. Economic constraint, as a bind rather than as a stimulus to the imagination, showed through in the *mise-en-scene*. The sets by Pasquale Grossi mixed bone-dry grey props (a stage variously littered with skeletons, collapsed castle walls, and medieval statuary) with a fancy line in black drop-curtain movement. Alberto Fassini's production showed Strehler influence without Strehler intelligence. Peter Maag drew comparatively tidy playing from an orchestra whose former high standards were sadly lowered in the middle 70s, but conducted without the distinction one expects of him—a sense of drama was only intermittent in the performance, and the score was disfigured by "traditional" cuts.

But the all-Italian cast was, at the very least, acceptable and, at best, very good. Fiorenza Cossotto's hell-for-leather Azucena and Franco Bonisolli's Manrico (a performance jostling vocal crudity and sensitivity in unpredictable succession) are current international fixtures, and were on no worse than their usual form. Rather more interesting was Di Luna, the dark-voiced, vigorous Giorgio Zancanaro — a much more impressive showing here than in the Covent Garden *Luisa Miller* last July. Katia Ricciarelli made a very touching heroine—serious, musicianly and, in the final rising phrases of "Prima che ad'altri," very beautiful. (Earlier, the voice was not always as sure in flow as its use implied.)

And, as a whole, the evening added up to more than just "another" *Trovatore*. Hearing Verdi in a theatre that gave birth to four of his operas must always be a little unlike other Verdi experiences. And then, the pressures on opera and on the opera houses in Italy have now the effect of forcing even the casual visitor to consider the meaning and the wider context of each performance he encounters there. Meanwhile, phoenix-like once again, the Teatro la Fenice is in business for the 1978-79 season.

Aldeburgh Festival 1979

The 32nd Aldeburgh Festival will run from June 8 to 24. Highlights in the programme include two performances of Chaikovsky's *Evgeny Onegin*, a centenary production partly financed by Northern Star Insurance to mark the opera's first performance by students of Moscow Conservatory. The cast, with Richard Jackson in the title role and Marie McLoughlin as Tatiana, is predominantly young and the Snape Maltings Training Orchestra will be conducted by Mstislav Rostropovich.

Other operatic events are Britten's Church Parables *Curlew River* and *Burning Fiery Furnace* presented by English Music Theatre and Peter Maxwell-Davies' *Martyrdom of St. Magnus* performed by the Fires of London.

New works receiving first performances include William Alwyn's song cycle *A leave-taking*, sung by Anthony Rolfe Johnson; a setting of Neruda's poetry by Daniel Welcher performed by Jan da Gaetani; a work by Alan Hoddinott for the Pendyrus Male Choir; and Walton's *Façade II*, settings of poems by Edith Sitwell left unfinished at the time of the original *Façade* and now completed, with Peter Pears as reciter.

ELIZABETH FORBES

Greenwich

Da

by MICHAEL COVENEY

Hugh Leonard's affectionate, beautifully written play was a hit of the 1973 Dublin Festival and reviewed again on this page in July 1977 when presented at the King's Head. It is currently running on Broadway, where it has collected several awards. Robert Gillespie's revival boasts two highly accomplished performances that survive from the King's Head revival by Tony Doyle and Eamon Kelly, playing, respectively, the middle-aged playwright who has returned to Dublin to clear up after his father's funeral and the "da" himself, a crotchety, uneducated gardener who has died in his early 80s.

The play steals carefully upon us, building a memorably detailed but critical portrait of the old man through a subtle compilation of reminiscent flashbacks. Old Tynan is the sort of character Flann O'Brien might have concocted wandering through Dublin and over the Dalkey Hill, except that Mr. Leonard's approach is less than acerbic and more than sentimental. The sentiment, however, rings absolutely true as Charlie is as unsuccessful at shaking off Da's remonstrations from beyond the grave as he was at giving him the slip in a local snug or on the beach while trying to find his way up the local tart's skirt.

Mr. Doyle plays Charlie Now, providing sharp footnotes to the domestic squabbles of both his later life and his memory of existing as Charlie Then (Mike McCabe), a likeable teenager whose literary bent is threatened by an unsympathetic step-mother (Mary Chester). We also see the Da insultingly paid off by Mrs. Prynne, a wealthy employer, after 54 years of loyal service. The final straw for Charlie is the revelation that the Da has saved the money he has been sent (presumably the fruit of Charlie's dramatic labours) and is giving it back to him in his will.

An excellent company includes good work from P. G. Stephens as Charlie's first, exasperating employer and from Kevin Moore as a goofy contemporary, proudly extolling the virtues of elocution classes in a thick Dublin brogue. Bernard Culshaw's design, which opens evocatively out from the cluttered kitchen to include a spacious suggestion of a fine mackerel sky, and Nick Chelton's sensitive lighting, are perfectly in touch with the mood of the writing. It all amounts to a gentle, lyrical entertainment that lingers in the mind even if it does not exactly hit you squarely between the eyes.

Stephen Joseph, Scarborough

Sisterly Feelings

by B. A. YOUNG

The family is introduced in the first of four scenes, led by Ralph, their half-senile father, to see a corner of Pendon Common where he proposed to their mother. The Common is prettily sited by Jeremy Turner at the nave of the round theatre, spilling up over the circumference on one side.

The family contains two daughters, Abigail and Dorcas, and a student brother, Melvyn, with their several attachments—Abigail's young tycoon husband Patrick, Dorcas's intellectual drop-out Stafford, Melvyn's teenage girl Brenda. There are also Ralph's policeman brother Len and his invalid wife Rita, and an unattached young man, Brenda's brother Simon, lately back from selling machine-tools in Africa. When it is time to leave, Patrick has already driven away to a conference. Either Dorcas or Abigail will have to walk home with Simon. They toss for it . . .

The fourth scene is similar, only the occasion is a wedding instead of a funeral, Melvyn's wedding to the unexpectedly sophisticated Brenda, and the tussle over Simon is ended, sisters still with their former escorts. Precisely what has happened in between I cannot tell you, for the demonic Alan Ayckbourn has hit on a new way of inducing us to go the theatre more often.

There are two versions each of Scenes 2 and 3, so providing four potential plays with the one cast. It may be that on the picnic in Scene 2, Dorcas grabs Simon while Abigail is kept out of the way flying Melvyn's kite. It may be that Abigail gets him while Dorcas flies the kite. In either case, the picnic has all the worst characteristics of such affairs, displayed by the author with affectionate hatred.

Whatever the consequence, it will be overthrown in Scene 3. The venue is the cross-country run organised by Uncle Len, in which the athletic Simon is hotly tipped for a new record for the course, and where Stafford tries to win Dorcas back by posing as a reporter. Or possibly the venue is the Common at night, and Abigail and Simon about to commit adultery al fresco, a venture handicapped by the chance that Len is busy trying to track down suspicious folk thought to be committing "unnatural practices."

Whichever course events take, their sequence is happily logical. Events in Ayckbourn plays always proceed logically, if not wisely or even predictably; it is his firm adherence to possibility that makes his plays so funny. To choose between the different versions is as pointless as comparing oysters on a dish; it happens that the first pair I saw (Abigail at the kite, Simon on the track) pleased me more, but doubtless if I had come on different nights I would have reached different conclusions.

The playing, directed by the author, has the quality of genuine observation that is so important in acting his plays; even Robin Murphy's wet Stafford is within the bounds of likelihood. Alison Skilbeck, the *haute bourgeoise* Abigail, and Judy Brideland, local-radio arts-presenter Dorcas, are skilfully contrasted, and Robin Herford's parade of colonial machismo as Simon is most expert. I found John Arthur as Len, the ever-suspicious copper who finds crooks in the running brooks and crime in everything particularly funny.

Elizabeth Hall

Shirley-Quirk

by NICHOLAS KENYON

John Shirley-Quirk made a generous selection of Rakhmaninov's songs for his contribution to the current Mainly Slav series, and performed them compellingly. The sequence of 18 songs included some from the early Op 4 of 1894, through to the Op 38 of 1916, the last solo songs Rakhmaninov wrote. To anyone who thought of Rakhmaninov as a purveyor of gorgeous sonorities, the development of his songs must have come as a shock. In the early numbers there is rhapsodic passion in plenty, but by Op 26 and Op 34 sets a dour austerity enters the writing (particularly in the piano parts). The sombre pathos of the Chekhov setting "Prokhodit vsyo" and the restrained lilt of the children's song "K detyam" are both unexpected and heart-searching.

Yet the later songs do not quite realise the varied emotional promise of the early works. The Pushkin setting Op 4 No 4 has a perfectly-controlled wistfulness, which is articulated with features which sound genuinely Russian—augmented intervals, powerful vocal recitative with sudden flourishes. Op 8 No 2 has a fuller and more lush piano part than the later lullaby, yet it is wider in its range. One senses more of a creative ferment here than later, and only in the huge climaxes which dominate many of the early songs is there a note of falseness.

John Shirley-Quirk's mellow, yearning voice found a strongly-focused intensity which made the sequence an absorbing experience. One sees his voice, as it were, through a glass darkly — but this suits perfectly the withdrawn despair of so many of the songs. Only in a couple of them did he seem too restrained: the deep *fortissimo* opening of Op. 14 No. 10 (over an ethereal piano accompaniment) demands a real Slavonic bass to do it justice, and the full contrast of the final jovial song about the rat-catcher was underplayed. Nevertheless, these songs should be far more often heard: perhaps Mr. Shirley-Quirk will now sing them more widely.

The first half of Thursday's concert was something of an embarrassment. Shirley-Quirk delivered Ravel's delicious *Histoires Naturelles* with something of the same heaviness which was so effective later, dousing their precise humour with a solidly sustained vocal line. And Cristina Ortiz, who accompanied the songs colourlessly, joined the young Vladimir Stefan Ashkenazy (son of the well-established pianist) in the composer's duet transcription of *The Rite of Spring*. Suffice it to say that the account had neither the exact ensemble nor the individual characterisation which might make this fascinating version worth hearing: brilliant, of course, to be able to play all those notes — but if this was the young Ashkenazy's London debut, it was a very unfair one. We look forward to hearing him in recital soon.

Arts Council music forum in London

The Arts Council is to hold a public forum on *The Arts Council and Music* at 105, Piccadilly, London W1 on February 14 at 6 pm. The forum, the first of its kind, will be presided over by Professor Basil Deane, Professor of Music at the University of Manchester, who is chairman of the Council's music advisory panel.

Members of the public are invited to apply for tickets and to submit questions in writing in advance.

The forum will cover all aspects of the music department, except dance.

SPORT

SOCCER BY TREVOR BAILEY

Liverpool can contain Albion's bid

THE NEW leaders of the First Division are West Bromwich Albion, taking over from Liverpool, who have topped the league since the start of the season.

Watching both teams in the past week, gave me the chance to compare them but, there was much difference. Liverpool played an FA Cup tie against Third Division Southend on thick snow and Albion took on Norwich in a league game on a frozen pitch.

Liverpool's visit was the most important night in the history of Southend, who have never attained Second Division status, or even had a remarkable Cup run. Despite the weather a record crowd saw an exciting goal-less draw on a pitch totally unsuited to the precise, cultured football one expects from the European champions.

It is never easy for a First Division club meeting a side from a lower Division with everything to win and nothing to lose.

Southend gave everything, and it says much for the calm of the Liverpool defence, which looked less likely to concede a goal the longer the game went on.

In bad conditions, or when they are below their best, Liverpool remain so well disciplined and professional that they still achieve results. The championship should go to a club able to pick up points although occasionally out of form. This is why my money is still on Liverpool.

Albion, under their shrewd, yet flamboyant manager, Ron Atkinson, who did so well at Cambridge with limited resources, are the most improved Division One side and also very entertaining. Like Nottingham Forest at their best, or Manchester United, when they burst back into the First Division, or Aston Villa, two years ago, they are a delight to watch.

The goal-hungry Albion, have adopted a positive 4—3—3 formation for both home and away matches. Their front line, of Regis, Alistair, Brown and Cunningham is frequently reinforced by Tony Brown always coming forward into scoring positions. The lack of an orthodox winger is to some extent covered by two full-backs who not only overlap enthusiastically, but, rather more importantly, are able to centre accurately.

Their forward trio are all good in the air. Regis, because of his timing and power, repeatedly shrugs off the challenge and wins the ball against resolute defenders. As a result, their mid-fielders and defenders feed them with many high, hanging passes which one will try to lay off to his two waiting colleagues. This ploy was less successful than usual against a spirited Norwich using a sweeper.

On Saturday, especially after half-time, West Bromwich were less impressive in midfield than usual. But this hardly constitutes a serious problem as Cantello is waiting to return, and sitting on the substitutes' bench was the newly-acquired Mills, the most expensive twelfth man in the business.

Their two centre-backs are powerful in the air, strong in the tackle, and have developed a fine understanding, so that the opportunities for opposing centre-forwards are rare. However, because Albion commit themselves so eagerly and readily to attack, they sometimes leave themselves open to a quick counter-attack, as Peters showed when he stole in by the far post to head the equaliser. This dropped point could cost them the League title.

TENNIS BY JOHN BARRETT

Young Americans win pairs title

JOHN McENROE and Peter Fleming, the young Americans, established themselves as the top pair in the world when they captured the Colgate Masters doubles title, worth $40,000, at Madison Square Garden on Saturday night.

In a mere 91 minutes, and in spite of some reckless behaviour from someone who threw marbles on to the court, they repeated their Wimbledon semi-final victory over Tom Okker of Holland and Poland's Wojtek Fibak, 6—4, 6—2, 6—4, having earlier avenged themselves 6—1, 6—4, against Bob Hewitt and Frew McMillan, the South African pair who had beaten them in the Wimbledon final.

These two results exploded the theory that the specialised art of doubles can be practised successfully only by older players after years of experience together.

McEnroe, who is just short of his 20th birthday, and Fleming, who turns 24 next month, played their first tournament together in September 1977.

McEnroe was an amateur at Stanford University, with his sights set on the inter-collegiate crown. He won that title last June and made his first professional appearance at Queen's Club during the week before Wimbledon, having turned down more than $40,000.

Two weeks later, McEnroe and Fleming reached the Wimbledon final, having beaten two other seeded pairs besides the No. 2 seeds Okker and Fibak—Stan Smith and Bob Lutz, and the No. 7 pair, Raul Ramirez and Fred McNair.

Since then they have beaten every pair of note in the world en route to titles at South Orange, San Francisco, Cologne, Wembley, Bogota and Olympia. That last success, the WCT Braniff World Doubles Championship, brought each of them £20,000, a record pay-out for doubles and an indication that sponsors and promoters are at last recognising the value of doubles as a spectacle.

After all, most club players around the world play more doubles than singles, and they can relate more easily to the four-handed version of the game. Often, doubles is more exciting with its quickfire rallies and its greater potential for strategic use of the larger stage.

The problems for the leading players are ones of time, energy, prestige and money. With standards continually rising, men like Connors or Borg, who are expecting to contest the latter stages of a tournament, need to harbour their reserves for singles, where prestige is greater and prize money is generally divided 80 per cent to singles and 20 per cent to doubles.

In addition, the doubles matches are often played at night, which can pose further problems for someone due to play an early singles the following day.

Although at 19, McEnroe is still eager enough to play singles and doubles (he is the first player since doubles was introduced to the Masters at Stockholm in 1975, to appear in both finals), he will doubtless be forced to curtail his doubles appearances simply by the pressure of his success in singles.

Fleming's game, albeit erratic at times, is a perfect foil for his subtleties; and by their performances together in the past six months, they have shown they have the potential to join such immortals as Newcombe and Roche, McMillan and Hewitt, Hoad and Rosewall, and Bromwich and Quist as one of the game's great teams.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897

Telephone: 01-248 8000

Monday January 15 1979

Survival is not enough

WHEN MR. JAMES Callaghan, the Prime Minister, declined to go to the country last autumn, he took a double risk. The first was that the support from the small parties, which have so far kept him in power, would somehow run out and he would be compelled to face a general election at a time not of his own choosing.

The second was that the Labour Party's chances of winning—which in the autumn must have looked, about even—would deteriorate as the months went by. Mr. Callaghan must obviously have hoped the contrary, but the risk was considerable.

Decision

As Parliament resumes after the Christmas recess today, the *prospects are that the Government can survive at least a little longer*. The Ulster Unionists have suggested that they will keep Mr. Callaghan in office until such time as there is legislation to increase the number of Ulster representatives at Westminster. That legislation is now imminent—and is thus from the Government's point of view a waning asset—but the process of putting it through should still be enough to ensure Ulster support for the next few weeks.

The Government also looks *safe enough for a while on the* Nationalist front. Both the Scottish and Welsh parties want the referendums on the creation of separate national assemblies to take place. They are scheduled to do so on March 1, but would have to be postponed if a general election were to be announced before that date. Since the Government, too, wants the referendums to be held on time, the chances of an election before March must be counted as remote—almost regardless of what happens in the meantime.

The time for decision will, therefore, come as soon as the referendums are out of the way, and it is here that one returns to Mr. Callaghan's second gamble. By then, the Government should have delivered most of its promises to the smaller parties, but will its own prospects in the face of a general election look any better than they did last autumn?

On present showing the answer must be "No." There are, of course, still a few weeks in which Labour could recover its reputation as the party better able to deal with the trade unions, but at the moment it seems more than doubtful. At the same time, its claim to have brought down—and then contained—the rate of inflation may be looking distinctly jaded.

Yet the conclusion from that is not that a general election in late March or early April is now inevitable. It is that the Government may well be tempted to try to soldier on for a few more months and indeed till autumn, when the election becomes unavoidable.

There would be nothing unconstitutional in such behaviour; nor would it necessarily be impractical. If the referendums, and especially the Scottish referendum, result in a yes vote for the assemblies, the Government might just secure the continued support of the Nationalist parties by the promise of early assembly elections. That would be sufficient to keep it in office. It would also be understandable for Mr. Callaghan to decline to go to the country before he had to, if his chances of winning were uncertain.

Test

The conclusion from that, however, is that the Government now has an exceptionally heavy responsibility. What Mr. Callaghan has shown so far is a remarkable capacity for survival. There are not, after all, that many people who would have forecast a couple of years ago that his Government would still be in office today, or perhaps that it would have brought down the rate of inflation as far as it has. But now the test has come.

Can Mr. Callaghan's team really control the unions in the manner that they have so often suggested? Are they ready, if necessary, to take the unpopular monetary and fiscal measures at which Mr. Denis Healey, the Chancellor of the Exchequer, has sometimes hinted? That is the real importance of the next few weeks. Survival is not enough. The Government will be on test in the country, even if the election is postponed.

New faces in Congress

DURING HIS first year in office President Carter got a poor Press for his evident failure to establish a good working relationship with Congress. In 1978, he did considerably better in getting legislation through on Capitol Hill. But his skill in dealing with the legislative branch will be put to the test again as he faces the new Congress, elected in November's mid-term elections, which convenes for the first time today.

In one sense his position should be no more difficult, and it may be easier, than it was last year. Mr. Carter came to office as an opponent, at least in principle, of big government, and there is a widespread consensus that the mood of America and of the new Congress is more conservative than it was, as inflation has come to replace unemployment as the primary enemy of national prosperity.

Public spending has lost much of its appeal as a panacea for economic ills, and on this point of view the President may not encounter too much opposition to the general strategy of an "austerity" budget with the deficit cut to under $30bn. At the same time he may have difficulty in reconciling his aim of a balanced budget in 1981 with plans for a phased introduction of a national health scheme in the early 1980s.

Unfamiliar

On the other hand, the new Congress is a good deal less predictable than its predecessor. For one thing, there were a great many upsets at the polls, with the result that there is an unusually high proportion of new and unfamiliar faces in both the Senate and the House of Representatives.

For another, the elections suggest that voting patterns in Congress may be even less closely linked to party membership than usual, with the influence of sectoral or regional interests playing a correspondingly bigger role. So, even if there is general assent to the principle of a tight budget, the argument over what spending should be cut, and by how much, is likely to call for extremely skillful lobbying by the White House.

Inevitably, the congressional attitude to President Carter's broad anti-inflation policy is likely to shift in line with the performance of the economy. After four years of rather strong growth, the prospect is for slower expansion this year, with the possibility of a mini-recession in the middle of the year. Preliminary posturing has already started in both parties ahead of next year's presidential elections and if the downturn should become sharper than seems likely, or recovery be unduly delayed, the tone of the debate over inflation may shift markedly.

The key issue here is, of course, President Carter's voluntary wage and price guidelines. The settlement with the oil workers, which emerged at the end of last week, is probably just about compatible with the 7 per cent norm, but the big test will be the negotiations with the Teamsters, which come to a head in a few weeks time.

But if domestic economic questions are likely to dominate the new Congress the agenda also includes two major foreign policy issues, either of which could cause difficulties for the President. The U.S. recognition of China is likely to prove less contentious in principle than, for example, the Panama Treaty, but it will give rise to a large amount of consequential legislation which could well drag on for most of this year, with manifold opportunities for conservative dissent over trade and trade-financing issues.

Even more delicate is the question of the emerging Soviet-American treaty on strategic arms limitation (SALT II). At the recent Guadeloupe summit, President Carter secured public European support for the SALT treaty but it is still not a foregone conclusion that he can match this with the necessary support in Congress. He may need to pull out all the stops if he is to avert an outcome which could seriously jeopardise the (admittedly ambiguous) relationship between Washington and Moscow.

Emerging debate

Overhanging these concrete issues is the more general question of President Carter's standing as the maker of America's foreign policy. The Camp David agreement on the Middle East is still seen in the U.S. as a major achievement in spite of the prolonged deadlock between Israel and Egypt.

But there are signs of an emerging debate over why the Administration was taken unawares by events in Iran and the President's foreign policy reputation can only be damaged if he proves unable to provide an effective bridge between Moscow and the Congress over SALT.

A glimpse of some of the changes the next Budget might contain

BY DAVID FREUD

Ashley Ashwood

Sir William Pile—chairman of the Inland Revenue

Hugh Routledge

Joel Barnett—chief secretary to the Treasury

THE TIME of the annual Budget jamboree is fast approaching, when the Chancellor will be assailed by an endless stream of unsolicited advice on taxation and public expenditure.

The overall shape of the Budget will depend on how the Chancellor manages to balance the various economic and political pressures. Nevertheless, even at this early stage it is possible to forecast, with fair reliability, some of the contents of the Budget and accompanying Finance Bill—provided that an election does not upset the usual timing.

This is because large parts of the Bill are not fiscal measures designed to control the direction of the economy, but tax management devices derived mainly from a continuing dialogue between the Inland Revenue and interested professional bodies.

During the past two months such bodies as the Confederation of British Industry, the Consultative Committee of Accountancy Bodies, the Institute of Taxation, the Association of British Chambers of Commerce and the Law Society delivered their recommendations to the revenue.

After these have been digested Inland Revenue officials begin in the New Year to prepare "Budget starters," rough outlines of proposed changes in legislation. These are sent up to ministers and if approved in principle are formally prepared by Parliamentary draughtsmen. The legislation can go back and forth between the draughtsmen and revenue specialists several times before the wording is finally acceptable.

When this process is completed a decision is taken whether to mention the change in the Budget speech, delivered by the Chancellor, or to unveil it as an Inland Revenue press release on Budget day. Recently, with shorter Budget speeches in fashion, many of the more technical changes have seen the light of day in the press release.

The Finance Bill, which follows the Budget after a few weeks and translates its provisions into legislative language, is widely expected to be fairly short this year. However, this general impression does not derive from any specific ministerial statement and no one is confident as to what it implies in practice.

It is possible to gauge the likely nature of much of the Bill from the state of dialogue between the revenue and professional bodies. These parts of the Bill will be more or less unchanged regardless of the colour of the Government on Budget day.

The biggest of the likely changes concerns business expenses which are not allowed for tax purposes. These, known as "nothings," have been a bone of contention for years and in their recent recommendations both the CBI and the accountants' body have called for the "anomaly" to be removed.

British practice is unusual because of the application of a principle considered fundamental in its tax law: the distinction between capital and income. For this reason expenditure incurred in order to earn profits is tax allowable However, expenditure undertaken to get into a position where profits are possible are considered to be capital transactions and are therefore not tax allowable.

The CBI argued that tax practice on "nothings" puts British industry and commerce at a disadvantage compared with overseas competitors and that the setting up of new businesses and expansion of existing ones is discouraged.

Eligible for relief

The revenue is understood to be sympathetic to the recommendations, especially as changes should cost relatively little. Furthermore, the revenue breached the capital-revenue distinction for the first time in November, when it announced that it would give relief to mining companies for expenditure incurred on unsuccessful planning permission applications. Until then such expenditure had been regarded as capital spending, and thus not eligible for relief.

However, the complete dismantling of the distinction called for by the CBI and accountants is unlikely. There is no general formula to make the switch and each item would have to be dealt with separately, raising a great deal of legislative space and time.

Given this constraint, the items most likely to be made tax allowable are the costs of raising money, pre-trading expenditure that would be deductible if incurred after commencement of trading and some capital costs relating to waste and effluent disposal.

There could be some move towards extending the capital allowances granted to industrial buildings to commercial buildings as well.

The CBI has urged a major restructuring of the existing system of capital allowances, in which a company's buildings would be pooled rather than treated individually as in current practice. The Inland Revenue is looking at this proposal, but it is unlikely that Ministers will allow the substantial legislative space required, quite apart from the cost.

However, Ministers may be more sympathetic to giving allowances to new commercial buildings at 8 per cent a year, as the CBI is pressing for. This would cost only £100m in the first year rising to £200m-£300m in the third. The Inland Revenue is known to feel that there is no point of principle involved.

The dam was breached last year by the introduction of capital allowances for hotels, and that concession has already produced a lot of anomalies. Shops attached to hotel complexes, for instance, have gained the benefit of the allowance, while other shops have not. So perhaps this year allowances may be extended to commercial buildings—in line with the recommendation of a Royal Commission in 1952.

One forecast that can be made with reasonable certainty—unless there is a change of Government—is that the stock relief scheme first introduced in 1974 will be extended. In his last Budget speech Mr. Healey said that if a permanent scheme was not ready he would write off the relief for the first two years in the next Budget. The balance of stock relief for the year ending six years previously would also be written off.

Since then, Mr. Joel Barnett, Chief Secretary to the Treasury, has said in a speech to chartered accountants: "I can assure you that the promise will be kept, and the appropriate legislation will be in next year's Finance Bill."

Apart from the fulfilment of Government promises, additional changes in the tax relief on increases in a company's stock are likely if proposals contained in a recent revenue consultative document are put into practice.

These would allow companies to make partial claims of stock relief and businesses to avoid repayments of stock relief if their stocks dipped for a single year.

A call by accountants to reopen past claims to benefit those businesses which did not bother to take advantage of what was introduced as a temporary measure is almost bound to be rejected. Official feeling is that stock relief was aimed at helping companies in a liquidity crisis and those which did not see fit to claim it by definition did not need it.

Changes in the status of the Special Commissioners of Income Tax are likely, although these may not be ready in time for the coming Finance Bill. At the moment the specials, made up of tax experts rather than laymen as are the General Commissioners, represent the first step in complex tax disputes although they have few formal powers. Their findings do not represent precedents, nor are they published.

For years accountants have protested at the unfair advantage the revenue has gained from the resulting secrecy. While accountants have no way of learning the results of cases the revenue keeps a full record, thus knowing when it was on safe or uncertain ground in pursuing claims for tax.

A clause to empower the publication of decisions was included in the 1977 Finance Bill, but withdrawn for further consideration after technical objections by the Tories. Subsequently, the Association of British Chambers of Commerce has argued that since the specials have taken over the valuation of non-quoted shares for capital gains, capital transfer and corporation tax purposes, the specials should be upgraded. Such a change of status looks increasingly likely.

Changes in the way interest is charged on over-due income tax are almost certain. These stem from complaints made to the Parliamentary Commissioner for Administration, the Ombudsman, about how the interest provisions—introduced in 1975—operate.

The legislation laid down that interest on over-due tax becomes payable from July 6 after the year of assessment in order to "neutralise" the advantage taxpayers could obtain under the previous system through delaying tactics.

Sir William Pile, chairman of the revenue, while giving evidence to the Commons' Select Committee on the Ombudsman last spring accepted that the July 6 date caused great difficulties not only to the taxpayer but to his own department as well.

He told the committee that the position would be eased if the time-table were extended by three to six months and such a change had already been suggested to ministers. A six-month extension is the more likely.

The second change spelled out by Sir William was a rise in the "de minimis" figure—the level at which no interest is charged. At present interest is not charged where it would be less than £10 and this figure is likely to be increased to £20, taking 40 per cent of the cases out of charge.

DISALLOWED BUSINESS EXPENSES

COST OF RAISING MONEY:
- Expenses of issuing debentures;
- Expenses of raising or transferring a mortgage;
- Commitment fees for loan facilities;
- Commission for guaranteeing a loan;
- Costs of share issues including the costs of obtaining a quotation.

COSTS FOR THE USE OF MONEY:
- Losses on foreign currency borrowings;
- Discount on redemption of debentures;
- Bonus or premium on repayment of loan.

EXPENDITURE ON SOME WASTING CAPITAL ASSETS:
- Commercial buildings—warehouses, offices, shops;
- "Second-hand" industrial buildings;
- Sites for waste disposal;
- Trade marks;
- Some capital costs of trade effluent disposal.

MISCELLANEOUS:
- Pre-trading expenditure that would be deductible if incurred after commencement of trading;
- Costs of abortive capital projects;
- Payments to terminate onerous contracts;
- Redundancy payments in excess of statutory limit.

Consortia groups

Hopes for other changes must be more limited at this stage, although there will be developments right up to Budget day—and beyond. In last year's Finance Bill there were substantial technical changes in at least six areas by the time the Act was approved, quite apart from the successful Tory amendments on income tax rates.

One area where companies will be pushing hard concerns consortia group relief. The CBI and accountants want trading losses of a consortium company to be available not only to the owning companies pro rata but also to other companies in their respective groups, and trading losses of companies owning a consortium to be allowable against the profits of the consortium company.

Banks are calling urgently for tax relief for exchange losses on foreign currency borrowings. These two demands have been rejected several times in the past and expectations of a reversal should not be high.

However, with an election possible before the spring, tax officials will be acutely aware that the Conservatives could be proposing the next Finance Bill. And that would undoubtedly result in further changes. It might even—eventually—lead to the removal of tax management measures from the Budget for separate consideration, as Sir Geoffrey Howe, shadow Chancellor, has advocated.

MEN AND MATTERS

Giving the Tories their dues

A Gordian knot of ample proportion was recently cut without noise or ceremony when the General and Municipal Workers' Union sold off £2m-worth of Stock Market investments and put the proceeds into a strike fund.

For financial officer Donald Paine the move came as something of a relief, even if it was not early enough to forestall a dig in the ribs from the current issue of Punch about the union's investment in some of the Conservatives, more generous supporters, including, for instance, a £28,000 spoonful of Tate and Lyle. (Saxon Tate and John Lyle are respectively chairman of the right-wing Economic League and member of the council of Aims.)

Trade union investment in companies closely identified with the Tories occurs on a large scale through the portfolio known as the Trades Union Unit Trust, in which, among others, NALGO, NUPE, the NUR, and the Union of Post Office Workers' all have a stake. This trust invests in Guardian Royal Exchange, Allied Breweries, and Marks and Spencers—all major contributors to the Conservatives—and Rolls-Royce-modified British United Industrialists.

The Labour Party seems undisturbed by such ironies: "It's practically impossible to invest in anything which isn't mixed up with the Conservatives," said a spokesman. "We do publish a list from time to time. . . ."

Ken Gill, Communist general secretary of TASS, the white collar engineering union, and a member of the TUC General Council, is one of the few unionists who does take the bull by the horns. "The idea of fuelling your own enemy is quite obscene. It's quite wrong to speculate, particularly when you are simply looking after Maggie," he says. TASS's money is in local authorities and property.

So, I found, was that of ASTMS. But general secretary Clive Jenkins tells me he also invests "strategically" in about 100 companies so the union can be represented at annual meetings.

But unions which apply detailed thought to the political implications of investment are probably the exception rather than the rule, however.

While being a trifle evasive about its investments in Fisons (which gave £13,000 to the Conservatives in 1977) and in Guest, Keen and Nettlefold (£25,000 to Central Office), the National Union of Mineworkers, a loyal contributor to Labour, is not keen to dwell on the contradictions. "Our investment policy," said a spokesman, "has to be in the best interests of the members."

Men of idea

Perhaps inspiration is an unusual commodity down Melbourne way—I hear that a former Lord Mayor of the city, Ronald Walker (CBE), is even now winging his way towards London in search of what is described as "an IDEA." Thinkers should concentrate on what would make a suitable landmark to be erected in Melbourne. The idea finding favour wins £58,000.

Clearly Melbourne has quantities of loose change burning a hole in its corporate pocket. So the emissary may find a taxi ride over Waterloo Bridge worth his while. Some councillors in Southwark have had an IDEA which could be just what their counterparts in Australia are looking for. Even without being translated into reality, this brainwave has already made Southwark rather famous.

Hobson's jet

Anxious to please the jogging lobby, British Airways is embarking on the rash course of broadcasting "keep-fit isometric exercises" to long-haul passengers. "It's our way of flying the flab abroad," says the airline, playfully. I assume that the exercises—designed to be "unobtrusive"—are not compulsory. But skinnier travellers may be disconcerted by the behaviour of their neighbours. "Head-rolling," says the airline, "is disguised as a casual look at fellow passengers. Arm-stretching is a vain attempt to adjust airflow controls."

Was there any plane, I asked hastily, on which one would definitely not be subjected to odd looks from obese persons wearing earphones. "Oh yes," said British Airways. "Concorde."

Visible earnings

The full cost of the British worker's stubborn predilection for cash came home to the Daily Mirror group last summer, when a security guard was shot dead in a £200,000 pay roll raid.

The group's chairman, Percy Roberts, has now launched a campaign to get workers to switch to monthly pay through a bank account. With well over half its 6,000 headquarters staff taking home cash each week, the Mirror group has one of the biggest pay roll security problems in central London. Roberts makes clear in a persuasive circular letter, accompanying it, is a folder full of propaganda for the banking habit. And the National Westminster, whose Coutts subsidiary is the Mirror's main bank, has helpfully enclosed a map showing the whereabouts of some of its branches.

Many employers have failed in similar campaigns in the past. According to bankers, this is because male workers find being paid in cash makes it easier to conceal from their wives just what they earn. The Mirror's trump card—it pays monthly workers in advance.

Crash diet

Every crisis, of the mounting and non-mounting varieties, has a sunny side. This time the beneficiaries are Mrs. Thatcher, and purveyors of Chinese sprouting beans. "We are on overtime trying to cope with the rush," says Keith Sangster, managing director of Thompson and Morgan of Ipswich. The company is, he tells me, selling near-record quantities of seeds which, in 48 hours, turn into "half-inch long protein-packed sprouting beans," highly suitable, avers Sangster, for "Siege Britain."

If you have been laid off, "watching them grow under your very eyes" must indeed be a welcome diversion. And a diet of bean shoots means you need never leave the house to discover the absence from the shops of anything but cake mixes and tins of prunes.

"It seems like years since that poster went up."

Observer

FINANCIAL TIMES SURVEY

Monday January 15 1979

Corporate Finance

The financial institutions are having to demonstrate their involvement in, and commitment to, British industry as never before. This is the result of another year of sustained scrutiny of the way these institutions provide corporate finance.

How the City's role is changing

By Nicholas Colchester

THE CITY is currently more remarkable for its new openness—to discussion, criticism and even change—than for the funds its component institutions are providing to British industry.

Companies have not placed it under great pressure for money over the past 12 months. Loan demand remained restrained despite the fact that the private sector's cash requirement, estimated at about £3bn for 1978; disappointed hopes at the beginning of the year that industry would roughly balance its books. The requirement for equity capital was also low, Companies raised only £520m (excluding BL, the car company) through rights issues, compared with £770m in the previous year.

But if the City's institutions did not have to provide industry with much finance last year, they talked about providing it more than ever before. The clearing banks produced a thick volume describing and justifying their activities. The Bank of England published a guide to small company finance and urged the banks to underwrite loans to small businesses. Every section of the City had to justify itself before the Wilson Committee which in turn published volume upon volume of evidence. The Stock Exchange geared itself up to convince the Restrictive Practices Court that it should be allowed to continue in its current form. By the standards of the very recent past, very little in the City remained sacred.

At the same time, the City moved visibly in the direction prescribed by the "mixed economy." The Bank of England's growing involvement with industry became conspicuous when it organised the rescue of Spillers, the troubled milling, baking and petfoods group. Its governor, Mr. Gordon Richardson, spoke out forcefully on the changes necessary in the management and ownership of British joint stock companies.

Reconciled

Banks, merchant banks, and other institutions in the business of providing companies with capital, became reconciled to the existence of the National Enterprise Board, the Government-owned agency which owns BL and Rolls-Royce and which seeks by interventionist investment to force the pace of Britain's industrial development. Two years ago the NEB was the City's enemy: today Barclays, Midland Bank, Rothschilds, United Dominions Trust, and Finance For Industry are only some of the private sector institutions which are working in partnership with it.

The NEB has made the running in this reconciliation. In the multiplicity of its activities it undoubtedly has had a gingering effect on the financial establishment. It has won respect with its entrepreneurial approach. Its required objective of a 15-20 per cent return on invested capital (apart from BL and Rolls-Royce) gives it respectability. Currently it is tossing balls into the air faster than they are landing. It is not until a day of reckoning comes in 1981 that the City finally will establish whether the NEB is playing the private sector's game.

The mixed economy is looming dangerously for the investing institutions, and for the pension funds in particular. They have been identified by the Wilson Committee as an important new concentration of financial power and the question is how they should deploy it and remain "accountable" for its deployment. The trades unions want the pension funds and insurance companies to help the "industrial strategy" by providing half the cash, and government the other half, for a new fund which would pump money into chosen sectors of British industry.

The pension funds recently joined forces with the Confederation of British Industry in mounting a counter-attack. They played down their financial power and claimed that they should work only in the interests of their pensioners—not the public good. Nevertheless, it seems unlikely that they will escape the spotlight. Quite apart from the attempts to harness them to the country's industrial strategy, there is a growing feeling within the private sector first, that they should be more visible in their investment activities; and, second, that they should be more active in monitoring the performance of the managements of the companies in which they have invested.

In these circumstances intense interest has been generated by the few occasions when the funds have chosen to flex their muscles in public. They questioned Allied Breweries' bid for Lyons and Wilkinson Match's link with Allegheny in the U.S. They challenged Barclay's bid for an investment trust—an elaborate way of raising equity capital. And they barred the bid by S. Pearson for Pearson Longman.

Despite the sustained scrutiny of the City over the past 12 months, there are few signs so far that the City's most basic characteristic is threatened — the clublike manner by which it regulates itself. On the initiative of the Bank of England the institutions sought to answer previous criticism of this system by setting up, last May, their new Council for the Securities Industry. This council was built round the Stock Exchange and the Take-over Panel, two pillars of self-regulation, and is designed to embrace merchant banks, the major investing institutions and clearing banks. Since the fanfare of its first announcement little has been heard of it.

Surge

One of the pillars of this system, the Stock Exchange, is under official attack at a time when it is providing relatively little finance for British industry. Ninety per cent of the money raised on the exchange last year went to Government. Companies raised only about £0.5bn in share capital and a notable surge of take-overs—many of them for cash—meant that corporations were probably net purchasers of equities last year.

The third quarter figures suggest that the total value of acquisitions in 1978 will have been about £1.2bn, of which about one half will have been paid for in cash.

The concentration of primary market activity in the hands of government and of secondary, or trading, activity in the hands of institutions has led the Stock Exchange membership to look for other areas of business. Increasingly, the brokers are encroaching on such areas as fund management and corporate finance which, traditionally, have been the preserve of merchant banks. Both jobbers and brokers are looking covetously at the international securities game, where the rules tend to be incompatible with those of the British Stock Exchange.

At the same time, the Office of Fair Trading has challenged the Stock Exchange's rule book on the argument that its rules are "restrictive practices." These rules are basic to the Stock Exchange's powers of self-regulation. So the British securities industry is facing a period of flux.

There has not been much pressure recently for bank borrowing by companies. It is currently estimated that companies are making use of less than half of the overdraft facilities available to them. Under these conditions, foreign bankers have accounted for a noticeable proportion of new lending to the British private sector.

The latest figures suggest that this proportion was 11 per cent in the year to October 1978. A part of this success has been due to the easy availability of wholesale money (which disappears when credit conditions become tight) coupled with the relatively low overheads of the invaders—British banks are playing the same game in New York. But the Americans undoubtedly have given impetus to the rise of the medium-term roll-over loan in Britain through their success in marketing such credits.

Finally, 1978 was another good year for the small company after the Wilson Committee had stressed the problem of small company financing in its interim report in December 1977. Powerful institutions moved to plug the claimed gap. The National Coal Board pension fund stressed its readiness to invest in small companies. Midland Bank teamed up with the National Enterprise Board in a new venture capital company. Equity Capital for Industry, a body sponsored by the major investing institutions, lowered its sights to cover smaller companies than had originally been envisaged. The Industrial and Commercial Finance Corporation ICFC, had a very active year of small company finance.

Now the Bank of England has asked the clearing banks to set up a loan guarantee scheme to reduce the burden of loan security on small businessmen. This proposal is being worked on, though the clearers are resisting it.

A number of key developments stand out. The Bank of England is becoming increasingly interested in corporate affairs. Clearing banks are lending longer and becoming more involved in financial management. The Stock Exchange complains bitterly about the way it must sell predominantly government securities to a shrinking and increasingly powerful clientele. Investing institutions have been forced to face up to their own influence and to use it for the public good—however defined.

These different strands add up to a trend away from a "free market". City in which institutions mediate for their own ends between many sources and many users of finance. Partly because it is politic, partly because of the changing structure of savings, the City now has a more continental feel. It is becoming reluctantly involved in the cause, as distinct from the business, of channelling British savings back into industry.

Industry's borrowing set to rise

THE FINANCIAL position of industry *has been much less* strong than expected over the last year and no improvement is generally foreseen during 1979 — despite the growing impact of North Sea oil production. This should not, however, create any serious problems for industry in raising external finance.

A year ago City analysts were generally confident that industry's financial position would be helped by rising North Sea profits and by the smaller drain of cash needed to finance the increase in value of stocks. This, it was thought, should at least in part offset sluggish growth of profits and a big increase in capital spending.

Accordingly, stockbrokers Phillips and Drew in January 1978 estimated that industrial and commercial companies would have a financial surplus of about £300m for the year. This is the amount left over after paying taxes and dividends and financing capital spending and the increase in the physical volume and value of stocks. At the same time brokers Wood Mackenzie estimated that there would be a deficit of £1.5bn for the year.

Official figures are still only available for the first half of the year and indicate there was a £2bn deficit for the period. *These figures are subject to* major revision—not only of size but also sometimes of direction. But on the basis of the evidence so far and the expected recovery in profits growth in the second half of 1978—reflecting the pick-up in economic activity—the deficit for the full year is now estimated at £2.4bn by *Phillips and Drew* and at £3bn by Wood Mackenzie, compared with a deficit of £2.4bn in 1977.

The main influences have been a slow overall growth in profits in 1978 as a result of the strength of sterling and the squeeze on domestic margins. But at least half the rise is expected to have come from rising North Sea production. Total income is expected to have risen by between £1bn and £1½bn. On the other side, tax payments and dividends have been rising sharply so that total undistributed income may have risen last year by only between £250m and £500m.

Capital spending appears to have been even more buoyant than expected in 1978—rising from £9.5bn to between £11.2bn and £11.5bn at current prices, *though by much less in real terms*. This drain on funds was partially offset by the expected decline in the amount required for stock appreciation from £4bn in 1977 to between £2¾bn and £3bn in 1978, reflecting the slowdown in the rate of price inflation.

The end-result of a little changed, or possibly slightly higher, financial deficit for industrial and commercial companies has not created problems for industry in general. Indeed, as Wood Mackenzie has pointed out, a surprising feature of last year was that despite the size of the deficit, bank borrowing was at a fairly restrained level, rising by perhaps £2.7bn to *£2.9bn compared with £3.1bn in* the previous year. Moreover, capital issues were relatively low: for instance, if the £400m plus British Leyland rights issue is excluded the total was only about £500m.

The low level of advances was partly explained by reactivation of the corset controls: *this* encouraged inter-company lending which by-passed the banks and distorted the figures. However, the net liquidity position of larger companies appears to have deteriorated since the summer, judging by the Department of Industry's survey. For example, during the third quarter the companies covered by this survey reduced their bank deposits by £521m, or nearly 14 per cent. It is likely that the position may have deteriorated since September in the face of a squeeze on real profitability.

Mixed

The prospects for this year are mixed. Much will depend on the level of pay settlements in the current wage round and the outlook at present is not exactly encouraging. Industry has apparently found it hard to pass on higher labour costs over the past year because of the competition from imports in the *home market and the impact of* the high—or rather stable—exchange rate on export prices and profits.

The general expectation is that sterling should remain fairly stable—or at least not depreciate too far during the next 12 months both because of the Government's commitment to a stable exchange rate and as a result of the impact of growing North Sea oil production. This could put pressure on margins again at a time of *sharply rising labour costs.*

However, most City analysts still expect that the rate of growth of trading profits should maintain the improvement of the second half of 1978, partly because of the expected pick-up in world trade and output. For 1979 as a whole gross trading profits are expected to rise by around 16 to 20 per cent, or between £3bn and £3.5bn, though this may be too optimistic. Roughly half the increase is expected to come from the growth in North Sea oil production, which should this *year account for more than 15 per cent of gross trading profits.*

The rise in the North Sea contribution will also mean a sharp rise in profits due abroad, while UK tax payments could increase by between £800m and £1¼bn. Consequently retained profits or undistributed income may only rise this year by less than £1½bn, or around 11¼ per cent.

The rate of growth of fixed investment is expected to slacken slightly in real terms after the big jump in 1978 but this could still mean an extra £1¼bn to £1¾bn at current prices.

The widely forecast slowdown *in the rate of expansion of* economic activity should mean a much lower level of stockbuilding than in the past 12 months—around £500m against £1bn or more in 1978.

But the key to the financial position of companies is the level of stock appreciation, which depends on the view taken not only about the rate of increase in domestic costs but also on the level of sterling and world commodity prices. The general opinion is that the balance of these forces will be less favourable than last year and hence the amount required to finance *stock appreciation* may rise from between £2¾bn and £3bn last year to between £3.5bn (Wood Mackenzie) or £4.4bn (Phillips and Drew).

These differences more than explain the variation between the deficit of £3bn projected by Phillips and Drew and the £3.5bn deficit estimated by Wood Mackenzie. This would be the highest level since the crisis conditions of 1974. However, there is no reason to be alarmist about this prospect as there is no immediate danger of a liquidity crisis on the scale of four years ago.

It is possible that the increase in short-term borrowings produced by this deficit might only lead to an increase in gearing—total borrowings less cash as a percentage of capital employed—of 2 to 3 points up to between 20 and 21 per cent. This compares with gearing of 26 per cent at the end of 1974, and the difference is explained by industry's efforts to improve balance sheets, notably through the large amount of rights issues of 1975-77.

Nevertheless, there is likely to be a significant rise in bank borrowing by industrial and commercial companies. This would not only reflect the larger expected financial deficit but also the impact of the run-down in industry's liquidity position during the second half of last year.

Consequently, bank advances are projected to rise by between £4.3bn and £4.6bn this year compared with between £2.7bn and £2.9bn in 1978. Industry's bank deposits may rise by between £1bn and £2bn.

Peter Riddell
Economics Correspondent

State help now a major element

LONG GONE are the days when the State limited its involvement in industry to laying down the legal and regulatory frame*work within which business was* expected to operate. Nowadays the State is an active participant itself, through such bodies as the nationalised industries, the National Enterprise Board and the Scottish and Welsh Development Agencies and by the provision of a wide range of fiscal and financial incentives.

This is not a wholly recent development. There were State and municipal trading bodies before World War II. The beginnings of regional policy—in the form of Ministerial involvement in the location of particular industrial investments—can be traced back to the inter-war years. And the State in one guise or another was also active in several measures of industrial reorganisation in those years.

The scale of State participation has, however, increased enormously in post-war years, and in the case of financial aids and incentives developments have been particularly rapid in the last five to ten years. Precise and comprehensive figures of what has actually been spent—as distinct from the plans set out in the annual public expenditure White Paper—are not easy to come by. But according to a statement by Mr. Alan Williams, Minister of State for Industry, shortly before Christmas almost £3bn of Exchequer funds had by then been committed to regional and certain forms of industrial assistance since the 1972 Industry Act was passed.

The detailed breakdown is *instructive. Regional development* grants had so far cost £1.68bn. Offers of selective regional assistance under section 7 of the 1972 Act had amounted to £499m, of which about 80 per cent was in the form of interest relief grants. Offers of selective assistance to individual industries and com*panies irrespective of whether* they were located in an assisted area (under section 8 of the Act) had meanwhile totalled £787m. This figure included £210m for sectoral aid schemes (wool textiles, foundry, electronic components, etc.), £158m for the accelerated projects scheme and its successor, the selective investment scheme, and £399m for individual companies, notably British Leyland, Chrysler, and the experimental workers' co-operatives.

The rate at which commitments have been building up has been increasing. The total for these schemes (other than aid to individual concerns) in 1976-77 was £607m, in 1977-78 £674m; and in the first half of the current financial year £365m. Not all of these sums have yet been paid to the companies concerned. Grants and loans are paid as the investment takes place.

By the end of March last year, for example, only £213m of the £468m of selective regional assistance offered under section 7 of the 1972 Act had been paid out. Only £22m of the £108m which had by then been committed under the accelerated projects and selective investment schemes had changed hands. And only £33m of the £152m committed to section 8 sectoral aid schemes had been paid. Even if these schemes were to cease overnight, a considerable sum of money would still have to be passed over under commitments already made.

Offshore

These figures give, moreover, only part of the picture. They exclude commitments to the North Sea offshore supplies interest relief grant scheme under section 8 of the 1972 Act (about which the Industry Department is uncommonly reticent, in part no doubt because this particular scheme has aroused protests from the European Commission in Brussels).

They also exclude aid to the shipbuilding industry under the 1972 Act; expenditure under the Science and Technology Act 1965 which has been running at the rate of about £60m a year; aids to industries like tourism; the cost of advance factories built in the assisted areas; expenditure on industrial aids by local authorities; the expenditure programmes of the National Enterprise Board and the Scottish and Welsh Development Agencies (about £400m a year currently); support for industrial research and development, export promotion and export credits; industrial training (another £400m a year), and job creation and employment subsidies (about £300m a year in the last two years).

All told, around £2½bn must be going on support programmes for industry during the current financial year—before counting the revenue cost of tax depreciation allowances and the external financing requirement of the nationalised industries.

This *is an impressive slice* of public expenditure and one cannot but help wonder what it is achieving. The specifically counter-recession programmes, such as the temporary employment subsidy and the job creation programme, are perhaps a case apart. The dangers here—of preserving jobs in one company *at the cost of displacing jobs* in a competitive company (in the UK or abroad) and of encouraging resistance to industrial change and delaying rationalisation — are fairly obvious; and it is possible that we have now seen the peak rate of expenditure on these short-term palliatives.

But what about the main-stream programmes such as regional and industrial aid schemes? These were being operated before the post-1973 recession and they have been pursued by Conservative and Labour Governments alike. Do they represent a judicious use of public money?

It is not simply a question of devising suitable administrative machinery to vet applications, of checking up on the viability of firms and their projects, or of taking a more cold-blooded look at lame ducks, which, belatedly, now appears to be happening. It is more a question of judging whether the methods chosen are the most appropriate way of achieving the desired objectives.

For example, Ministers are fond of pointing out that the £158m so far offered to firms under the accelerated projects scheme and the selective investment scheme will have generated about £1.3bn-worth of investment which would not have taken place at all or at the particular time unless government money had been made available on concessionary terms. That possibly could be so. At the same time it would not be surprising if businessmen dressed up their applications to conform to Whitehall's rules to take advantage of cheap capital when it is offered. Nor would one blame them.

Then there is regional policy. Several studies (for example, those by Messrs. Moore and Rhodes of the Cambridge Department of Applied *Economics) have indicated that* regional aid programmes were having somewhat less effect in the early 1970s than in the 1960s. Was this because, as Moore and Rhodes suggested, their initial impetus had begun to wear off? Or was it because the proliferation of non-regionally-differentiated assistance programmes had reduced the discrimination in favour of the assisted areas? One would have thought that it might be relevant to policy-making to try to find out.

The Government has resisted pressure *from* the Commons Public Accounts Committee and elsewhere *against* the automaticity of the regional development grant and in favour of instituting a cost-per-job limit (as, for example, in France) on the grounds that the automaticity of the grant is an important attraction to industry. Yet unpublished cost-per-job limits are applied to the grant of selective regional assistance (section 7 of the 1972 Act), though they would appear to be somewhat flexibly operated when it comes to attracting footloose international investment.

Comparisons of the jobs actually created as the result of selective regional assistance with *the* numbers originally planned are now being collated in Whitehall, though they have as yet to be published. Studies are under way on the "effectiveness" of the sectoral aid schemes under section 8. The National Enterprise Board and the Scottish and Welsh Development Agencies have been charged with achieving target rates of return on their entrepreneurial ventures with public funds—though it will be time before it is possible to measure their performance against those targets.

All this is for the good. But one cannot help but wonder whether, instead of lowering the *cost of capital for a select* minority, it would have been more sensible to have created a more encouraging climate for all by skirting oppressive price, profit and dividend controls; by avoiding getting into situations where the public sector borrowing requirement crowds out the private industrial sector's *market for finance; and* by pursuing more consistent demand management policies and a less hostile policy towards private industry.

The Government's industrial strategy represents, in its way, an attempt to emulate the (not completely successful) industrial policies of successive French and Japanese Governments without the all-important and all-pervading sense of partnership and mutual empathy which has characterised industrial policy in those countries.

It runs the risk of attracting second-best projects—by definition, viable projects would go ahead regardless of concessionary finance—and of arousing international trade antagonisms as the repeated difficulties with Brussels and the course of the recent GATT trade negotiations have shown. At heart, it is a question of whether the market, *or politicians and bureaucrats* are more likely to be successful at picking winners.

Colin Jo...

Political courtship of the small business

THE WOOING of small businessmen by the two main political parties that began some 18 months ago with the appointment of Mr. Harold Lever as the Cabinet Minister responsible for small companies will increase during the run up to the general election. The Labour Government will be trying to finalise some new initiatives to launch with the spring Budget while the Conservatives, led by their new Front Bench small firms spokesman, Mr. John Biffen, will point out that it is their planned taxation changes that are really needed to increase the flow of funds into small businesses.

The resulting debate will underline the problems that Mr. Lever has faced from the start with Left-wing and other leaders of the Labour Party who oppose many of the tax reductions that he considers necessary to speed up investment in small businesses. Mr. Lever has succeeded in pushing through a number of changes in capital gains, capital transfer, and other taxes; but he has not managed to win all the exemptions for small *business investors that he would* like.

Initiatives

Further tax initiatives are likely to be prepared for the spring Budget including help for loans in new ventures. One idea being pushed by the London Chamber of Commerce is that the income tax concessions introduced in last year's Finance Act for the employee share ownership form of profit sharing should be adapted to help those who invest in small firms for a specified period of time.

Another advance being considered by the Government is a proposed guarantee scheme under which the clearing banks would underwrite their loans to save small businessmen having to provide excessive personal guarantees. Mr. Lever believes that the burden of such personal guarantees can sometimes dissuade owners of small firms from expanding their *businesses. He hopes that a new* bank-run guarantee system might unleash fresh investment and has asked the Bank of England to try to persuade the clearing banks to set up such a scheme. Talks are now taking place in the City, although the banks have as yet shown little enthusiasm and may oppose the idea.

This is the latest stage in the debate about a guarantee system for clearing bank loans that has been in progress for some time. Advocates of the idea point to successful guarantee systems in the U.S. and Germany. But a report produced last August by the National Economic Development Council's Roll Committee on Finance for Industry cast doubt on whether it was really needed.

The Treasury and the Department of Industry have also opposed the idea if it has to be launched and backed by the Government because of the amount of State aid that might be needed to bale out bad debts. But small firms' pressure groups have continued to urge that such a scheme should be tried and have pointed out that the Roll Committee report did not oppose an experimental scheme. This has now been taken up by the Government, which wants new measures to announce before the election.

The idea which the Bank of England has been canvassing for the Government is that there should be a pilot insurance scheme which would be organised and financed by the clearing banks themselves, either collectively or individually. The extent of the pilot scheme might be limited either by the amount of money it is given, or it might be launched in a specific area of the country.

There would be little if any financial involvement by the Government although there have been some suggestions that the Treasury might provide up to 10 per cent of the cost of meeting the guarantees.

Mr. Lever has spoken to the chairmen or chief executives of all the leading banks about the *need to help small firms in some* way or other, and the special guarantee idea is likely to be advocated in a report from the Wilson Committee on Financial Institutions which is to be published soon dealing with small companies' problems.

But some bankers believe that they have already introduced enough new measures to help small businesses and that the guarantee scheme is unnecessary. They can indeed point to a number of new initiatives *launched by banks and other* financial institutions. The Industrial and Commercial Finance Corporation, a subsidiary of Finance for Industry, reported record business last year when it provided £32m in loan and share capital to 277 small firms during the six months *to* September 30, compared with £19m to 193 *concerns* in the same period of 1977.

Specialists

Other long-established development capital specialists such as the Charterhouse Group and Gresham Trust have expanded their activities in this field and pension funds have *also shown some signs of* interest. Initiatives among clearing banks have included a Midland Bank partnership with the National Enterprise Board in the north to provide finance, while Barclays Bank has expanded its team of small firms specialists and last summer committed £2.5m to this area of its business. More recently the Midland has launched an export finance scheme for small businesses.

So it is not surprising that there is a view that the City is doing enough already without a new guarantee scheme. Mr. Lever believes, however, that banks should become a little more adventurous and less *cautious about the way they* react and should be prepared "cautiously to push forward the frontiers of risk taking."

Another important area which is being pursued by Mr. Lever is the way in which large companies can help small firms. He also wants the public sector to help by purchasing more goods from small businesses, and the broad idea has now been taken up by Mr. Biffen who says that nationalised industries should help to set up small businesses in decaying urban areas.

Most small businessmen would say that the most constructive way in which large concerns could help would be to pay their bills promptly and not to insist on punitive credit arrangements. Shell UK, which is one of the leaders in this area, has included the prompt payment of small firms' bills as one of the items in a programme it has drawn up. It has said that a "flourishing small firms' community is good for the UK economy, and for the country, and therefore good for us," and is launching a series of initiatives.

It is involved with a number of other organisations and companies such as the ICFC, Marks and Spencer, BP, IBM, British Oxygen and Tesco in trying to set up a London Enterprise Agency to help small firms in inner London. This work is being co-ordinated by the London Chamber of Commerce *and is being* encouraged by the Government. Similar projects are being considered elsewhere.

So the political initiative launched by the Prime Minister when he appointed Mr. Lever to co-ordinate the Government's small firms policies has undoubtedly helped to galvanise innovations both among financial institutions and other concerns. Cynics may understandably claim that a Labour Government is only interested in small firms because of political expediency and because it is desperate to try to cut the high unemployment level by reinvigorating one part of the economy that is likely to respond quickly by recruiting more labour. But Mr. Lever has nevertheless helped to turn the tide of opinion in favour of small businesses, even if he cannot hand out all the tax benefits that Mr. Biffen would include in a Conservative manifesto for small firms.

John Elliott
Industrial Editor

هكذا من الأصل

Interest rates at high levels

OVER THE past year industry has experienced the less comfortable consequences of the Government's acceptance of money supply targets. The combination of an increase in economic activity and a high level of public sector borrowing have meant that the private sector has had to be squeezed to prevent a breach of the monetary objective.

The result naturally has been *a sharp rise in interest rates*—to levels almost without precedent in real terms after adjusting for inflation. Moreover, there is little prospect of a substantial reduction in the general level of rates.

This is very different from the beginning of last year when the direction of interest rates was still downwards. Indeed, in the first week of 1978 Minimum Lending Rate fell ½ point to 6½ per cent, reflecting the strength of sterling and despite a rise in U.S. rates.

The immediate response was a cut in base lending rates of the clearing banks to 6½ per cent from a previous range of 6¾ to 7½ per cent. The result was that top-quality industrial borrowers had to pay 7½ per cent for overdrafts and others had to pay up to between 11 and 11½ per cent.

This was a low level of interest rates by the standards of the previous five years, except for every short periods. Over the following couple of months there were growing signs of a pick-up in bank lending to industry and of a more general revival in economic activity.

The money supply figures suggested that sterling M3 (the broadly-defined money supply including cash and bank current and seven-day deposit accounts) was growing more rapidly than the permitted rate of 9 to 13 per cent for 1977-78. This was then seen as a temporary phenomenon produced by the impact of the late autumn 1977 tax cuts and the lingering effects of the large inflows which occurred when the sterling exchange rate was being held down up to the end of October, 1977.

But the City was generally less confident that the money supply was well under control; the implications for interest rates of the Government's attempt to adhere to its monetary target became clear during the late spring and early summer. It was plain that if something had to give it would be interest rates, whatever the effect on the politically sensitive mortgage rate in what was then seen as a pre-election period.

The turning point was the mid-April Budget when Chancellor Denis Healey sought to reconcile a rise in the estimated public sector borowing requirement from £5.7bn to £8.5bn in 1978-79, a slight tightening of the monetary target to a range of 8 to 12 per cent with hopes of meeting industry's demand for funds. In an attempt to reassure the City, Minimum Lending Rate was increased on Budget Day by a full point to 7½ per cent.

This was followed by *a one* point rise in the clearing banks' base rates to 7½ per cent, so that top-quality borrowers then had to pay 8½ per cent. However, the Budget strategy failed to convince the markets and institutional investors, the Government's critics argued *that fiscal* and monetary policies were incompatible. The result was early speculation about a further rise in MLR—followed by a rise of 1½ points to 8¾ per cent early in May with a further 1½ points rise in the banks' base *lending rates to 9* per cent.

All this failed to settle markets. In spite of a further ¼ point rise in MLR in mid-May, Indeed, investors' confidence in Government policies was *further* undermined by the publication of figures showing that the growth of the money supply had been higher than previously assumed. Over the 1977-78 financial year sterling M3 turned out to have increased by 16¼ per cent, compared with Mr. Healey's budget projection of a rise of under 14 per cent and the original 9 to 13 per cent target.

In addition, public sector borrowing was boosted by a successful amendment to the Finance Bill *which reduced the standard rate of income tax,* and the Government failed to announce any immediate response.

Formula

In late May, the Government also announced the abandonment of the market-related formula for MLR and its replacement by direct official control through administrative decision.

The result was what was described by some commentators as a gilt-buyers' strike. The authorities were unable to sell anything like the required amount of stock outside the banking system to institutions and the public to meet their funding target and so avoid boosting the money supply. The institutions' attitudes were criticised and part of the blame was placed by Mr. Healey on "young men in brokers' offices who write circulars."

In any event, the Government was forced to respond on June 8 with a package of measures aimed at boosting sales of gilt-edged stock and reasserting control over the money supply. The package involved a one point rise in MLR to 10 per cent, reactivation of the so-called corset controls on the banks, and a 2½ point increase (later limited to 1½ points) in the employers' National Insurance contributions to recoup the revenue lost by the income tax cut. The MLR rise was followed by a similar 1 point rise in the bank's base lending rates up to 10 per cent, so that top-quality borrowers had to pay 11 per cent.

The most important measure was reactivation of the corset which penalises banks if the expansion of their interest-bearing deposits is faster than laid down by the Bank of England. This covers wholesale money market deposits and interest-*paying* bank deposits.

The markets' immediate response to the package was favourable in that the Bank was able to sell very large amounts of gilt-edged stock. But there were still sceptics and stockbrokers W. Greenwell concluded that "the latest re-introduction of the corset will probably not mark a major turning point of the economy and interest rates, as it did on the previous two occasions."

Reactivation of the corset and the heavy sales of gilt-edged stock created difficulties in the money market for a couple of months. So the authorities were forced to provide temporary relief to avert further upward pressure on rates created by shortage of funds.

In any event the desired impact on the rate of growth of the money supply was produced by the early autumn. However, it was recognised that the official figures distorted and understated the underlying demand for credit, in particular through the increasing provision of acceptance credits. This is what is known as disintermediation and was reflected in the low growth of sterling M3 in the first half of 1978-79.

Moreover, short-term money market interest rates began to rise from the beginning of October onwards. Three-month interbank rates rose from 9¼ per cent in September to more than 11 per cent by the end of October. This was against the background of a sharp rise in U.S. interest rates and growing domestic concern about the prospects for inflation in view of the trades unions' growing opposition to the Government's pay policy. Treasury Bill rates rose steadily and would have triggered a rise in MLR under the old market-related formula. Moreover, in early November Barclays Bank increased its base lending rate by 1½ points to 11½ per cent.

While there was no immediate crisis, the Government tried to take the initiative on November 9 by announcing a 2½ point rise in MLR to 12½ per cent. This not only acknowledged the rise in short-term rates which had already taken place but sought, in the Bank of England's words, to "establish a new level appropriate for the continuing restraint of monetary expansion." At the same time, the 8 to 12 per cent monetary target was extended until October this year, which implied a slight tightening in the official monetary stance in view of the earlier slow growth of the money supply.

Adjustment

Mr. Healey presented these measures as largely a technical adjustment in response to money market pressures, higher U.S. interest rates and inflationary uncertainties. But in addition the authorities appear to have been concerned about signs of an underlying pick-up in the level of private sector demand for bank credit and the probability of a higher level of public sector borrowing during the winter.

The package was followed by a further rise in clearing bank base rates up to 12½ per cent, so that top-quality borrowers were having to pay 13½ per cent and others up to 17 per cent. Moreover, the Government was able to sell sizeable quantities of gilt-edged stock.

The current view of most City analysts is that short-term rates should not rise much further from the current high levels, but there is disagreement about the timing and scale of any decline. Some brokers point to the recent favourable trend of money supply growth and the likelihood that the slowdown in economic activity later in the year will limit the private sector's demand for bank credit.

Against this, continuing pay uncertainties, the rise in U.S. interest rates and high level of public sector borrowing may restrict the scope for any decline. In particular, the increasingly prominent position of monetary restraint in the Government's counter-inflation policy suggests that the authorities are likely to be cautious about allowing a reduction in MLR which might have to be reversed quickly.

Peter Riddell

Specialist sources

THERE IS always much talk in the City of London about gaps—especially at a time like the present when the City's range of financial services is under the scrutiny of the Wilson Committee. Back in the 1930s there was the so-called "Macmillan" gap, which led to the setting up after the war of the Industrial and Commercial Finance Corporation specialising in the financing of small companies.

About five years ago there was much talk of a shortage of finance for larger companies, leading to proposals for the so-called "Lever Bank." That eventually turned out to be Finance for Industry (FFI), or rather its subsidiary Finance Corporation for Industry (FCI), in a newly expanded guise.

There has also been talk of the equity gap, which supposedly has left viable companies of stock market size in danger of folding through lack of shareholders far-sighted enough to see them through a sticky patch. Out of this debate was born Equity Capital for Industry (ECI), with around £25m in institutional funds.

The City tends to respond unsympathetically to talk of such gaps. Indeed the clearing *banks mutter sourly that what* is causing the trouble is not so much lack of finance but rather a "proprietorial gap." That is, there is a shortage of people with ideas, and the energy and ambition to exploit them.

High stakes

With the political stakes very high, however, the City has been reluctant to reject the various recent attempts to graft on new institutions. It has been judged better to co-operate when the politicians—and in the case of ECI, the Bank of England—have been exerting pressure. However, this obvious lack of conviction has led to a feeling that many City institutions would be far from unhappy to see the new organisation falling on hard times.

Certainly FFI in its new guise has never remotely resembled the £1bn giant once envisaged in the early days of the present Labour administration. And it has been a hard struggle for ECI—the "Equity Bank"—to carve out a niche for itself. On the other hand, the much longer established Industrial and Commercial Finance Corporation (ICFC)—which is actually now a subsidiary of FFI—has for *many years shown itself* to have a vital role in the small company sector.

FFI's larger scale business is channelled through its subsidiary FCI, which advanced a total of £40m during the last complete financial year ended last March. But there has been no real buoyancy in this market, and in the six months to September FCI lent no more than another £24m to nine customer companies.

The strength of FCI has derived from its ability to lend for quite long terms at fixed rates of interest. Unfortunately, *rates of interest have generally* been very high in recent years—and have of course climbed back in the past few months. This has made company treasurers reluctant to commit themselves to high fixed interest rates, and they have preferred to borrow variable rate money which could allow them to gain a benefit from an eventual fall in interest rates.

FCI does offer variable rate loans, and has indeed extended the maximum term for this kind of debt up to 15 years. But this is a field where many banks and other institutions are very active and competition for business has often been fierce (though less so since the banking "corset" was imposed last summer).

An underlying problem has been the fact that the large companies to which FCI seeks to lend have generally been passing through an especially liquid phase. After the often bitter experiences of 1974 companies are reluctant to raise their gearing levels in order to finance capital investment.

Curiously, however, FFI's subsidiary dealing with small companies, ICFC, reports quite a different experience. From about the summer of 1977 onwards, small businessmen regained their confidence and began investing in expansion once more. In the six months to September 1977 ICFC invested £19m in the loan and share capital of small companies, but in the next six months this *jumped to £31m* and in the half-year to September 1978 the higher level was maintained.

Phenomenon

An intriguing new phenomenon is that executives of subsidiaries or divisions of large groups are flocking to buy *these operations from the* parents. In the first nine months of the current financial year ICFC has made 30 investments as a result of this type of proposal. Clearly, being their own boss has much more appeal for down-the-line managers *these days*.

Meanwhile, proprietors of existing independent small businesses have also gained a new enthusiasm for expansion, though in real terms the sums involved are often rather smaller than in the past. ICFC's average *loan* has stayed at around £100,000 for the past five years, despite rapid inflation, and it still does plenty of business in smaller sums right down to the lower limit of just £5,000.

Both the investment market—*covering companies* seeking new capital—and what ICFC calls the purchase market—embracing existing shares which holders wish to realise for cash—have been very busy. ICFC manages, and has a 42 per cent stake in, Estate Duties Investment Trust (EDITH) which is listed on the stock market.

Originally EDITH was set up to allow shareholders in small companies to meet tax bills. Nowadays EDITH also has some quite substantial companies on its books—companies which at one time would have been considered ripe for a stock exchange listing but which in present circumstances see no point in incurring the expenses and responsibilities of going public.

The very latest trend at ICFC, however, is slightly less buoyant. New business applications fell away noticeably in December, and although its executives are reluctant to say definitely that the trend has changed, they are watching the situation closely. The pattern can tend to be deceptive over the Christmas and New Year holiday period, but there is a fear that Government action to raise short-term interest rates still further last November has had a damaging effect on confidence in the small business sector.

In 1977 *the upturn in demand* for finance by small businesses gave advance warning of a more general recovery in the economy. It could be that the declining level of activity at ICFC is now acting as a lead indicator of a slowdown. In fact ICFC's own rates on long-term loans have only risen slightly in recent weeks—by ½ per cent or so. But the very high level of overdraft rates is making entrepreneurs nervous about embarking on expansion projects.

Over at ECI, however, the *hope is a period of tight credit* conditions will at last help to *establish* this two-year-old operation with a distinct role. ECI's first investment — in Bond Worth Holdings — went disastrously wrong, and since then it has found only a handful of investments. Its most recent action has been to underwrite a rights issue by Hawkins and Tipson.

The problem has been that ECI has very little room for manoeuvre. After the Bond Worth fiasco, it does not want to take big risks. Yet if it invests in *solid situations, existing* shareholders may protest, as some did when ECI took a stake in UBM group. The point here is that institutional shareholders in companies are very often also shareholders in ECI. They do not want ECI to put up funds *when they would be happy to* do so directly themselves.

Barry Riley

Restrained growth in bank lending

BANK LENDING has picked up since the spring, although the expansion has been fairly restrained in comparison with the sharp growth in output between the first and second quarters and the increase in consumer spending.

The most sluggish area of lending has been to industrial companies — which on the surface seems rather surprising since such customers have priority for bank loans.

Among the reasons for the low loan demand from industry has been the introduction of the official "corset" controls designed to curb bank lending. This has generated company-to-company lending, bypassing the banks, which has distorted downwards both the figures for industry's bank advances and its bank deposits.

There have also been intra-company transactions associated with currency uncertainties and these may have reduced the need for reduced UK companies to raise external finance.

The corset — or special supplementary deposits—were introduced as part of an economic package in June as the growth in demand for private sector finance, along with a public sector borrowing requirement officially forecast at £8.5bn in the 1978-79 financial year brought fears of a renewed inflationary spiral.

There had been little change in the sluggish rate of bank lending to the private sector in the summer months of 1977. Despite a dramatic fall in Minimum Lending Rate, which bottomed out at 5 per cent in October, 1977.

In the autumn there was the first hint of a revival in the fact that the categories of borrower which accounted for most of the increase in clearing bank advances — agriculture, retailers, personal and professional, were among those least likely to have improved their liquidity through inflows from abroad.

Although the underlying rate of growth remained at the same level — about 1 per cent —the decline in the rate of inflation meant that bank lending began to rise in real terms from about the turn of the year rather than fall.

In the 12 months to mid-November total bank lending in sterling to UK residents has expanded by 16 per cent. Over the same period retail price inflation was running at 8.1 per cent, so the inflation-adjusted increase in lending was about 8 per cent.

The pattern over the year has not been smooth, however, and there has been some slackening in the latest six-month period. Figures released last month by the Bank of England show that while bank lending in sterling rose 4.2 per cent between mid-November 1977 and mid-February 1978 and 4.4 per cent in the next three months, between mid-May and mid-August the increase had dropped to 3.9 per cent and in the latest three-month period to 2.3 per cent.

The slackening can be attributed mainly to the impact of the corset as banks struggled to bring their interest-bearing resources, or eligible liabilities, under the set limits.

The corset came into operation if the average of a bank's interest bearing resources for the three months August-October exceeded by more than 4 per cent the average amount outstanding on the banking make-up days in the six months of November, 1977 to April, 1978. After the June announcement the authorities said that the scheme was to remain in force for a further eight months, until July, allowing 1 per cent expansion each month.

The rate of deposits required depends on the level of the excess increase of the banks interest-bearing resources.

Thus if the excess is 3 per cent or less the rate is 5 per cent. But if the margin over the limit is more than 3 per cent but not more than 5 per cent, then the rate is 25 per cent. Thereafter the rate is 50 per cent of the excess growth in interest-bearing liabilities. Institutions with average interest-bearing liabilities of less than £10m are not required to pay the deposits.

Bank of England figures released last month showed that the main clearing banks were all well under the official corset ceiling in August-October, the period in which the restrictions began to bite.

At the same time the figures revealed that seven banking institutions failed to come below the corset ceiling, and only one of these was penalised at the 50 per cent rate. Another bank was penalised at the 25 per cent rate, while the remaining five had excesses over the corset ceiling of 3 per cent or less.

Bank lending to manufacturers has trailed behind the expansion for other groups, even though the authorities have repeated their guidance to banks on the direction of lending, stating that industry is the first priority. The first occasion was at the time of the Budget and the second when the June economic package was introduced.

Manufacturers have borrowed an extra £1bn from banks in the 12 months to mid-November, an increase of 14.2 per cent. At the end of the period manufacturers were taking up 40 per cent or less of the overdraft loan facilities bank managers had agreed to allow them. In the past this proportion has risen to more than 70 per cent when output was growing strongly.

Two-thirds of the annual expansion took place in a single three-month period, between mid-May and mid-August, when manufacturers borrowed an extra £689m, or 8.8 per cent more from banks. The comparable increase in the following three months was only 0.5 per cent.

Within the crude total there were only four categories which showed any appreciable net growth in the 12-month to mid-November. Chemicals and allied industries increased their bank borrowing by 32.7 per cent to £2.1bn; electrical engineering by 21.6 per cent to £811m.; other engineering and metal goods 24.2 per cent to £1.9bn; and shipbuilding 21.3 per cent to £621m.

There were slight declines in bank borrowing by the food, drink and tobacco sector and by vehicle manufacturers over the year.

There was strong growth in borrowing by the agriculture, forestry and fishing sector, up 28.6 per cent to £1.9bn in the year. Construction industry borrowing rose by 8.1 per cent to £1.7bn, while bank borrowing by the mining and quarrying sector fell 5.6 per cent to £1.3bn.

There is some evidence of fairly strong demand for leasing finance. The category containing this item, "other financial," recorded growth of 19 per cent to £4.5bn in the year.

Bank lending to the personal sector rose 23.2 per cent over the year to £5.8bn. The overall increase in bank lending to the service sector was a modest 8.9 per cent, but this disguised large variations.

At one extreme lending to public utilities and the central government actually fell, by 13.2 per cent to £2.9bn. At the other there were increases of over 20 per cent. Lending to retail distribution rose 12.7 per cent to £1.7bn and to other distribution by 26.8 per cent to £3.1bn. Lending to the professional, scientific and miscellaneous sector rose 20.2 per cent to £3.6bn.

David Freud

China opens the gate to exporters

ONE OF the most significant events for British exporters last year was the conclusion of a $1.2bn credit deal with China, involving seven groups of UK banks, which did much to enhance the reputation of the banks concerned and the Export Credits Guarantee Department (ECGD), which played a leading role.

The deal was the first of its kind negotiated by China, through the Bank of China, and will operate much the same as a normal line of credit, allowing exporters to supply a wide range of goods and services on the basis of credit provided at internationally competitive rates of interest.

Although it is certain that the British initiative will be followed by similar arrangements in other European countries—such as France, which has yet to give details of a similar scheme—it says much for the adaptability of the UK export finance system and also for the Bank of China.

Export finance remains a highly competitive field, with the major countries anxious to be ahead of the game while remaining within the internationally accepted rules on interest rates and periods of recovery (or at least without breaking the rules too blatantly).

When it became clear that the Chinese were adopting a new and more flexible attitude to trade, reflecting the more outgoing political attitudes of the country, British banks saw the need for financing arrangements which would have to meet the cautious requirements of the Chinese.

China had long opposed the provision of credit in any form, but more recently agreed to consider a "deposit facility" through the Bank of China. This was successfully adopted in Japan and modified by British banks into an agreement which is very similar to a line of credit as far as UK exporting companies are concerned.

Nominate

The UK banks have now spelt out the way in which the agreement will operate. The Bank of China, working in conjunction with the Chinese State trading corporations, will nominate contracts for inclusion under the facility to the UK bank concerned: after agreement by the UK bank and ECGD that the deal qualifies, an approval in principle will be issued by the UK bank to the Bank of China and the company concerned. Later, after the conditions precedent to the contract have been fulfilled, a formal Notice of Approval will be sent by the UK bank to the Bank of China and the supplier.

A cheque payable to ECGD must be forwarded by the supplier company to the UK bank to cover the premium charge, and will be the only financing provision to be allowed for in the overall contract price to be negotiated with the Chinese State trading corporations.

The payments clause in the contract must provide for a payment of not less than 5 per cent within 30 days of signing, and a further payment which, when added to the initial payment, will result in a total of not less than 15 per cent, on or before each delivery or service rendered.

An appropriate reference also needs to be made as to the documents required for presentation to the Bank of China to enable the amount guaranteed by ECGD to be paid, and that such payment will be through the nominated British bank under the deposit facility arrangements.

Other more normal requirements are that the minimum contract value be not less than $5m at an interest rate of 7.25 per cent. The repayment period depends on the conditions of each individual contract. 10 equal semi-annual instalments will be made over five years, tied to an estimated mean delivery, final delivery or installation date. Contracts must be approved by December 6 this year and drawings must be completed by the same date in 1982.

The agreement itself is a simplified version of a normal line of credit, which excludes some of the more complex legal requirements developed for more litigous countries, particularly in relation to arbitration in the event of a dispute over a contract.

This was also done in deference to the Chinese practice of leaving much unsaid in the conclusion of contracts on the understanding that both parties will honour the spirit of the agreement more than the letter of the contract.

Although exporters to China will no doubt be willing to use the facility without hesitation for smaller contracts, particularly for goods which can be supplied off the shelf, there is likely to be some hesitation where complex high value projects are involved under the present agreement.

It is also clear that the banks and ECGD have had to agree to a slightly higher degree of liability than would normally have been acceptable, however in a matter of such national importance it was regarded as necessary and in any case all parties have placed great reliance on the Bank of China.

It is unlikely that any subsequent agreement will leave so many blank spaces, and discussions are now likely to centre on the provision of buyer credit agreements for larger individual contracts.

Concessions to the Chinese are, however, a price that ambitious exporters apparently have to pay. Although few substantiated details have emerged on the terms of proposed Japanese loan agreements, the concept of "developmental" loans at a rate of 6 to 6¼ per cent is regarded by most other countries with some suspicion.

Although Japanese bankers claim that such loans will not be tied to Japanese products and are in any case faced with pressure from China to extend loans in dollars rather than the strong yen, it is obvious that much of the business generated would go to Japan.

There are also indications that the Chinese are also seeking a very large long-term loan agreement with Japan, doubling existing proposals, which would go a long way towards financing their trade during the early part of the 1980s.

In those circumstances, Japanese banks would be under great pressure to offer concessionary terms which could in turn lead to a round of damaging competition on interest rates between all the major exporting countries, many of which are also faced with growing problems over exports to the Middle East.

France has recently concluded a credit agreement with China which is understood to be valued at FFr 30bn over a 10 year period, also guaranteed by its official export credit organisation, Coface, and although the details of the deal have not been revealed, some bankers believe it may be at a concessionary rate.

The United States has long been unhappy about the tendency of some countries to drop interest rates or lengthen the term of loans where a new and important market is developing and exporters see the need to establish their presence.

At the last meeting of the EOCD consensus nations in Paris, the U.S. delegation was outspoken on the need for a tightening up of the rules, which specify interest rates of 7½ to 7¾ per cent on export credits for developing countries, but it would appear that things are now moving in the opposite direction.

Lorne Barling

Limited role for merchant banks

WHILE THE merchant banks may impress the need for full and frank disclosure on their corporate clients, they do not say very much about their own affairs. None of the accepting houses reveals its true profits—Barings in fact only declares enough profit to provide exact cover for its dividend—and none of them publishes interim figures. Instead, they prefer to issue anodyne statements hinting that either profits are up, down or almost the same. Nevertheless, in occasional moments of indiscretion most merchant bankers will confirm that 1978 was hardly a vintage year for their profession.

In the previous year most of them had a bonanza. The gilt-edged market had been booming, which meant that there were plenty of profits to be had for the nimble-footed operator. There had been a steady stream of rights issues and one or two major financial/corporate success stories such as the huge placing of BP shares or the flotation of Lasmo where the merchant banks could show off their prowess.

However, 1978 has been a pretty dull year for the merchant banking community. The number of rights issues has tailed off in line with the corporate sector's financial needs and apart from a handful of small companies, there has been a dearth of new issues. In addition, competition for international banking business has been cut-throat and margins on domestic business have been under pressure.

In terms of direct lending business, the accepting houses occupy only a minor role in the financial system. They account for about 4 per cent of the total assets of all the banks in the UK. Their total footings run to about £9bn, which is small in comparison with the £50bn-plus controlled by the London branches of the American banks. Of course, the latter are boosted by a disproportionately large amount of Euro-currency business, but even so merchant banks still account for only about 6 per cent of the sterling market. In terms of sterling advances they lend somewhat less than the three Scottish clearing banks and considerably less than the U.S. banks in the City.

Over the past 12 months their position in the local market has come under further pressure. The main problem is that while the clearing banks have been able to increase their lending substantially to the personal sector, the merchant banks have been faced with sluggish demand for funds from their traditional industrial clients. Over the 12 months to August 1978 the banking community as a whole increased its lending to manufacturing industry from £9.4bn to £10.6bn but the merchant banks' lending to this sector remained almost unchanged at £361m.

About the only type of merchant bank lending which showed any sort of increase last year was to the service industries and in particular to those parts covered by the professional, scientific and miscellaneous category.

However, while the merchant banks' direct lending to British industry is small beer in comparison with other financial institutions, they have always insisted that they were much more important in "mobilising" finance for their clients. Until recently this has not been quantified but in its evidence to the Wilson Committee the Accepting Houses Committee tried to assess the importance of this indirect provision of fuids by the merchant banks in their role as managers. They reckoned that while the accepting houses' advances at the start of 1977 amounted to about £2.5bn, the total funds mobilised by them amounted to over £12bn.

Negotiable

There are two major areas where the accepting houses are important providers of indirect finance. The first is the traditional acceptance credit which recently has been experiencing a new lease of life. An "acceptance credit" involves the borrower selling a bill of exchange to an accepting house. In return for a commission the merchant bank "accepts" the bill of exchange and promises to pay when the bill matures and is presented. After it has been accepted the bill of exchange becomes a highly liquid negotiable asset which is sold to the discount market. The borrower who could be an industrial company anywhere in the country, then receives the money.

By agreeing to "accept" the borrower's bills, the merchant bank enables the industrial company to tap the short-term money markets. In return, banks like to do this type of business since it provides industry with a useful source of working capital and is an ideal asset since every transaction is self-liquidating and the banks do not have their money tied up for long periods.

Although it used to be regarded as rather an old-fashioned way of providing finance which was on the way out, acceptance credits have been experiencing a resurgence in popularity. One of the reasons is that they are an easy way of doing business and do not pose any balance sheet problems for the merchant banks who have only to lend their name to the bills.

More recently, however, the introduction of the corset which has put a curb on conventional bank lending has forced banks to look for ways of boosting their lending without paying a penalty. An obvious way is by using acceptance credits since they are regarded as guarantees rather than straight bank loans. Over the past year sterling acceptance credits for the banking system as a whole have shot up from £2.3bn to £3.3bn and for the accepting house they have risen from £1.2bn to £1.4bn. Among the merchant banks, roughly three-quarters of the acceptance credit business is done by Hambros, Kleinwort Benson, Hill Samuel, Schroders and Morgan Grenfell.

The second main way that the merchant banks mobilise funds—apart from conventional capital raising exercises which will be touched upon later—is by putting together syndicates of banks. This idea was pioneered in the medium-term Euro-currency lending market but has begun to be used with notable effect in the domestic market. In its evidence to the Wilson Committee the Accepting Houses Committee estimated that apart from the £3.6bn provided by the merchant banks in the form of outstanding advances and acceptance credits, another £6.0bn had been raised from non-merchant banks by the accepting houses in their role as managers. In addition, another £1.6bn had been arranged under the Government's export credit scheme.

For most people though merchant banks are best known for giving financial advice and their role as arranger of equity finance. They respond to the demands of industry and the fact that the number of rights issues fell during 1977 had little to do with the availability of finance, only the fact that the demand for funds was not there. The same goes for the new issue market. There have been a number of small issues led by Robert Fleming and others but there have been no major company flotations such as Pilkington Bros. or Sainsbury.

Some big private companies are no doubt shy of coming to the market because of the increased public attention and responsibilities they might have to shoulder. Indeed, if there is any criticism of the merchant banks, it is that they have brought some companies to the market that just were not ready to be floated. The performance, for example, of companies such as Thomas Borthwick and Wilson Walton Engineering, following their floatation has been far from brilliant.

For the merchant banks though the main problem at the moment is trying to sort out their long-term niche in the financial system. Their business has changed enormously over the past few years and their dominant position in certain areas such as international business and now domestic merchant banking is being challenged successfully by both the more aggressive foreign banks and the domestic clearing banks. The latter's merchant banking subsidiaries may never have the cachet of a Warburg, Kleinwort or Rothschild but they have stolen a lot of the merchant banks' bread-and-butter business.

The merchant banks have lost their market share over the last decade and seem likely to lose still more over the next few years. Aside from one or two notable exceptions such as Morgan Grenfell, Kleinwort Benson, S. G. Warburg and Robert Fleming the funds by the merchant banks in the merchant banks has been unispiring and this has meant that they have not been able to expand their lending and maintain their market share.

William Hall

Initiatives needed on risk capital

"THE SETTING up of one's own manufacturing or service business is a difficult task. It requires ideas, skills, hard work, strength of character, and involves much worry in the initial stages.

"The rewards, however, are great. It enables men and women to be in control of their own lives, to be in charge of their own kingdoms, to put one's ideas on industrial relations into practice. There is tremendous satisfaction to be had from seeing one's products and services sold or used, perhaps all over the world, to back one's hunches successfully, to meet all kinds of people."

These remarks — made recently at the launch of a small business competition—explain a spirit of adventure and entrepreneurship that has been the subject of much discussion over the past year. The rewards of small business and the existing and potential benefits of this sector to the national economy have been well aired. So, inevitably, has the problem of financing small companies and those starting up.

But, even now, while a much wider appreciation of small businesses and the difficulties associated with raising funds for it has been generated, there still remains a dearth of statistics about this sector, particularly in relation to venture capital.

A good indication of the amount of debt finance provided to industry by way of overdrafts and other facilities emerges regularly from banking statistics. But what level of risk money is made available each year is anyone's guess. Part of the problem is that most institutions which provide pure venture capital—and they are few and far between—also extend other types of credit. So the venture capital content is not clear. Then, there are other sources of risk capital, such as companies and individuals, which remain for the most part undetected.

It is clearly necessary to differentiate between venture capital and other types of finance since confusion frequently arises, let alone between differences of opinion over definition. Venture capital is essentially equity funding for companies starting up or for embryo projects. This contrasts with, say, development capital which is extended to established organisations to enable them to achieve a new phase of expansion.

The opening remarks were made in a speech by Mr. Herbert Loebl, a Northern businessman who has founded several ventures and who is well qualified to talk on the subject of company formation and the financing of new business. He is also the founder of Enterprise North, a voluntary organisation of businessmen which aims to encourage new company formations in the North.

He was talking at the launch of a "Build Your Own Business" competition, sponsored by Shell and run by Enterprise North and Durham University Business School. Competitions have been something of a feature of the small business-venture capital scene in the past year or so, with new ones taking their place alongside those established for some time.

Mostly, they have involved straight cash prizes, but one of them is keeping strictly within the orbit of venture capital by offering the winner equity funding at normal commercial rates.

Innovation

Among the competitions has been Technical Development Capital's Innovator of the Year Award, which carries with it a £10,000 first prize. It went to Graeme Minto, who has developed an ink-jet printing system. But as well as being an example of innovation, Mr. Minto's experience also shows the scale of money required to get a new technology-based venture off the ground, and therefore the size of the challenge facing venture capitalists.

For Mr. Minto's development costs—his system uses micro-processors—ran into "hundreds of thousands" of pounds and without the assistance of Cambridge Consultants, where he used to work, and where he did much of his development work, the project probably would not have got off the ground.

Development Capital, an associate of the Small Business Capital Fund, is offering straight venture capital. In association with the French and German venture capital concerns, Sofinnova SA and Deutsche Wagnisfinanzierungs - Gesellschaft respectively, it is sponsoring a European "Company of the Year" competition where each national winner, judged to be the most profitable business, or potential business, will receive around £100,000. The competition is being featured on BBC's The Money Programme in the UK and on Antenne 2 Television in France.

It is this sort of exposure, together with wide Press coverage and other television programmes such as the BBC's "Risk Business," which has highlighted venture capital as a subject to be considered. But have things really changed that much in the venture capital market, or is a lot of the activity taking place more of a cosmetic job?

A report by the Association of Independent Businesses in October, though it embraced essentially debt finance rather than venture capital, gives an inkling of the ground to be made up. The report said that bank loans accounted for only 18 per cent of loans outstanding at May 1977, whereas the sector provided 40 per cent of the GNP and 35 per cent of private sector jobs. The report also maintained that losses suffered by the banks in this sector were less than 1p in the pound.

Even though evidence such as this arguably adds weight to the lobby seeking a more flexible approach by the clearing banks to risk financing, little real progress seems in the offing. Banks remain convinced that their contribution to the well being of the small business sector should be by way of overdrafts rather than equity capital.

Some new initiatives have been taken, such as Midland Bank's scheme in association with the NEB to provide small companies in the north with funds requiring little or no security but overall the amounts of venture capital money are still very modest.

A cynic might say that a cosmetic job is being done in tandem with the growing activities of Mr. Harold Lever, the Minister with a special brief for small companies, and in anticipation of the report by Sir Harold Wilson's committee on financial institutions. This report has for long been expected to show that, whereas most areas of finance are well provided for, venture capital is the weak link in the chain.

If the institutions can demonstrate that they have been adopting a sympathetic approach towards venture capitalism, even though the amounts lent might still be low, they would be able to take the sting out of any criticism that might emerge in the wake of the Wilson report.

Meanwhile, there are still examples to show that the traditional sources of venture capital — private individuals — are alive, if not kicking with such gusto as they once did. Such new enterprises as an aerial crop-spraying business and a new board game, Skirrit, which have both been featured in the Financial Times, got off the ground with the benefit of substantial cash contributions or guarantees from private backers and they have since been further assisted by private companies taking over the mantel of fairy godmother with venture capital facilities.

An interesting development is a new venture which is likely to be announced within the next month or so. The people behind it sought out finance from banking institutions, but without success. Instead, offers of cash backing, by way of equity funding, have come from companies. One of these offers has been taken up and the venture is now on the verge of being launched.

Nicholas Leslie

Finance houses flourishing

DESPITE THE official constraints on consumer credit, the finance houses have continued to expand their operations over the past year. Not all the houses have unveiled their results for 1978, but from those that have it is clear that some sizeable advances in new business have been taking place.

Mercantile Credit, which is part of the Barclays Bank group, increased its receivables under the accounting heading of customers and other accounts by more than two-fifths in the 12 months ended last September, with assets out on hire or lease advancing by no less than three-fifths. Within the National Westminster Bank enclave, Lombard North Central reports some equally striking progress.

Over a similar period, new business at Lombard North Central rose by just over half to around £700m, and for the opening quarter of its current financial year to September 1979 the company reports even sharper gains. Like Mercantile Credit, Lombard North Central cites the current boom in leasing—where new business more than trebled last year—as the driving force behind this expansion.

Total new business at Lombard North Central in 1977-78 included just over £100m arising outside the UK. The figure for overseas business was broadly maintained, but the patterns within the domestic performance provide some very illuminating messages about the present condition of finance house "lending."

Imagination

Non-leasing forms of instalment credit expanded by around a sixth to £382m in terms of new business, while the company's full leasing operations moved from £68m in 1976-77 to no less than £216m last year. The key to this high demand for leasing is motor-vehicle demand. Mercantile Credit underlined the point in its recently published accounts for 1977-78: "These figures reflect the increased activity of all sides of our instalment credit business, including car leasing, which has captured the imagination of the business sector," declared the company's chairman.

The role of the finance houses as providers of capital to industry has tended to be clouded a little in recent years, but a number of broad conclusions can none the less be reached. In general, finance house facilities do not compete with those of the clearing banks, which, especially through the use of overdrafts, tend to underpin the day-to-day needs of the corporate sector, notably in areas like working capital. Nor are finance house funds likely to find their way into capital requirements demanding long-term or permanent finance. In the main finance houses function as a provider to industry of medium term money for investment in plant, machinery and vehicles.

Finance of this sort varies from house to house and in some instances can be a specialist, almost bespoke, arrangement. Basic credit finance, however, splits into four basic forms—hire purchase, leasing, contract hire or rental and direct loans. The greater part of finance house business with industry centres on hire purchase and leasing. Both are forms of instalment credit and with both the "borrower" gets the assurance of finance for an agreed period (one generally covering the working life of the assets being purchased) at a cost known at the outset of the transaction.

In both cases the asset provides the lender (the finance house) with his security, and only in exceptional circumstances will a finance house require additional collateral, such as a charge on other assets.

Contract hire and other forms of rental are for the most part variations of leasing. This is a specialised facility mainly used for vehicle financing in which the user pays only the pre-calculated depreciation during the fixed hiring period. Frequently provisions for maintenance, service and repairs are included in the contract. In the case of heavy commercial vehicle contract hire, provisions for drivers and fuel can also form part of the package deal.

As an alternative to hire purchase some sections of industry settle for direct loans with the security in a re-saleable asset being replaced by security in credit-worthiness. Loans of this nature are mostly made for specific and well established purposes.

As for the terms of credit finance the sort of down payments demanded by hire purchase and leasing contracts are broadly similar in cost. Hire purchase down payments constitute a deposit, while for leasing contracts this amounts to the number of advance rentals. Both types of contract are quick and inexpensive to arrange. And in both cases a high degree of flexibility of terms can be agreed. The detailed terms of a repayment can be adjusted to match each customer's anticipated cash flow which helps to make the "discharge of his liability" as painless and as efficient as possible.

There are a number of variations on the normal pattern of repayments associated with hire purchase and leasing contracts. Some have curious names like balloon of skip payments. The former are mostly used in contracts where goods have a high residual value, while skip payments are tailored to suit customers in the construction industry. Many contractors know in advance that at certain times of the year plant will be forced to lie idle.

Advantages

Both hire purchase and leasing contracts offer the user tax advantages. The two types of contract have quite different tax treatments, but by and large the choice before the customer boils down to whether or not he can take immediate advantage of the capital allowance available on new investment. If he is temporarily short of taxable profits he clearly will be less anxious to avoid tax liability.

If full tax allowances can be used a customer will almost invariably plump for a hire purchase contract. Otherwise leasing becomes the generally chosen financing route.

This latter tends to hinge on whether the leasing company is in a position to claim capital allowances and is prepared to pass on to the customer all or part of the consequent profit benefit. This caveat is important. No one set of rules can be applied to every situation. In the final analysis only the borrowing company, aided by its tax adviser, can decide on the best form of financing.

As for operational trends, Lombard North Central reckons that the average term of its non-leasing contracts would be in the region of 44 months, while the company's leasing managers see a move towards greater utilisation in their field. "Bigger buyers are asking for larger amounts," is how one Lombard North Central manager puts it.

Instalment credit is an intensely competitive business and the list of finance houses is long. The largest, arguably, is Lombard North Central with a field force of over 600 working from some 110 branches spread across the UK. But Mercantile Credit, Bowmaker, Forward Trust and Lloyds and Scottish are never very far behind. Most major credit companies have clearing bank links or parentage. United Dominions Trust the largest of the companies independent of the banks: its principal shareholders are Prudential Assurance and Eagle Star.

Jeffrey Brown

Currency risks hit Euromarkets

VIOLENT AND almost uninterrupted foreign exchange fluctuations, coupled with a sharp increase in American and British interest rates, made 1978 one of the most difficult years on record for most corporate treasurers, attempting to choose financing alternatives in the international credit markets over the past 12 months.

The "strong" currency areas, such as West Germany and Switzerland, showed appreciation ranging up from 10 to 15 per cent against the dollar. This clearly became a dominating factor for companies in Britain and elsewhere attempting to mount new borrowing in continental Europe.

In most cases the low interest rates available on Deutsche Marks and Swiss francs—equal to around 6.5 per cent and 3.5 per cent respectively on long-term top-quality bonds by the year-end—failed to counterbalance the prospect of high foreign risk when working from a sterling or dollar operating base.

Some large British companies have nonetheless braved the strong currency zones, and one topical example is ICI.

It is currently refinancing most of its outstanding debt in the Swiss bond market, in order to obtain longer maturities and lower interest costs. As part of the transaction, ICI is launching a new SwFr 230m bond, into which holdings of several of its existing issues can convert. With luck, ICI can obtain a coupon as low as 3.5 per cent, based on current Swiss capital market conditions.

Savings

The bonds being redeemed early bear coupons ranging as high as 6.5 per cent. So ICI can count on interest savings alone running as high as £1m annually.

However, the key factor will be future exchange rate trends in the Swiss franc. British borrowers, such as the Greater London Council have taken swingeing losses on Swiss franc loans, because of the latter's appreciation against sterling.

ICI is partly protected against such risk, thanks to the fact that it holds substantial European assets in Deutsche Marks and guilders, which have both tended to show a degree of appreciation which has partly kept pace with the Swiss franc.

The year also illustrated that some new openings into the international markets for British treasurers proved to be *"false dawns."*

The loudly acclaimed Eurosterling bond sector, which opened up in 1977, effectively closed in April last year, with the market in full-scale retreat.

The Eurosterling market had revived in response to Britain's improved international position in 1977, and the demand by foreigners for UK Government bonds. This had prompted some bond managers into obtaining Bank of England permission to use sterling as a vehicle for Eurobond issues.

But in the absence of any effective new issue queue a rush of new borowings in this fledgling market quickly proved too much for its absorptive capacity. With a rise in British interest rates adding to problems, existing issues moved to a deep discount despite coupons of up to 11 per cent, and the £20m issue by INA International Holdings and £15m bond from Sears in April represented Eurosterling's swan-song.

During 1978, for the record, other Eurosterling borrowers comprised EIB (£25m), Rowntree Mackintosh (£15m), Allied Breweries (£15m), Finance for Industry (£12m), Citicorp (£20m), Gestetner (£10m), and Whitbread (£15m).

Eurosterling apart, the use of the international bond market by British borrowers declined in 1978.

This was in contrast to the previous year, when the UK's better international standing, following an improvement in sterling and the related structural recovery in its balance of payments made British corporate risk acceptable again to international investors.

But faced with such a tempestuous foreign exchange scene, it was often the reluctance of companies themselves to incur such risk that led to a curtailment in overseas financing programmes.

For instance, British borrowers neglected the equity-linked side of the Eurobond market last year, despite the fact that the British stock market generally performed well over the course of 1978.

Only two dollar Eurobond convertibles were launched, a $30m 15-year issue from Boots with a 6¾ per cent coupon, and a Thorn Electric 10-year $25m issue at seven per cent.

British borrowers were in the main headed by the big clearing banks, several of which tapped the expanding floating rate note side of the dollar Eurobond market.

Among the biggest issues was the $150m "floater" from National Westminster, accompanied by $75m in capital bonds. Many European and Japanese banks, besides the British, utilised the FRN market last year, partly in order to obtain secure long-term sources of dollars.

In 1978 total UK issues in the international bond markets (including public sector floatations), declined to $1.36bn—equal in comparison with the growth year of 1977, when $1.9bn of issues were launched.

In fact, the main growth area for external British borrowings was in medium-term syndicated bank borrowings. Here British borrowings nominally expanded to $2.4bn in comparison with the 1977 figure of $1.9bn.

Upturn

The broad movement into bank borrowings in the Eurocurrency markets, and away from bond finance, by many treasurers in 1978, reflected the sharp upturn in U.S. interest rates, leaving them on the point of reaching the record levels last touched in 1974-75.

Syndicated roll-over bank loans—whose interest rates are typically re-fixed every three or six months in line with interbank Eurodollar rates — obviously represent a more flexible borrowing form than fixed-interest straight bond debt, at a time of volatile interest levels.

Even prime borrowers are now having to concede yields virtually at the 10 per cent level to obtain long-term fixed-rate financing in the U.S. and Eurodollar bond markets, an unpleasant prospect for many borrowers.

There was another important reason last year for deciding on international bank borrowings.

While dollar-based interest rates moved against borrowers in absolute terms, many companies and governmental entities approached their bankers for a refinancing of their existing debt in order to obtain the twin aims of longer maturities and more attractive margins.

For Britain, the most celebrated case was the restructuring of the UK Treasury's $1.5bn balance of payments facility in July, under which the margin was lowered appreciably and longer maturities achieved.

In the private sector many companies found last year that their bankers were willing to accommodate similar refinancings. The British and American banks, faced with a surfeit of international liquidity and mindful of fending off aggressive competition by their Japanese and German counterparts, have only too often been willing to concede better terms in order to retain the custom of a valued multinational client.

The UK public sector towards the end of 1978 also gave a lead in another area which may prove to become an important source of corporate borrowing in the future.

British Gas Corporation started in December to issue commercial paper in the New York Markets, under a programme aimed at making up to $250m of such placements over the next few months. It was effectively the first UK State agency to commence commercial paper sales in the U.S., and its programme is part of an overall plan by the Treasury to develop the American capital markets as an outlet for public sector borrowing.

Commercial paper represents one of the cheapest sources for borrowing short-term dollars, either in the U.S. and Euromarkets, and is gaining greater attention generally among European corporations.

British Gas set up a $250m Eurodollar standby, reflecting the need to have equivalent bank back-up lines as part of a commercial paper operation. It also gained a credit rating from the main U.S. agencies, the other main proviso needed in order to issue commercial paper.

Top-quality UK companies such as ICI and BP have tapped commercial paper in the past.

The presence of a British governmental borrower in this market may well help to familiarise U.S. institutional investors with British names, and thus help to speed the acceptability of a wider range of UK corporate borrowers in commercial paper.

Some of the UK clearing banks, for instance, are known to have their own list of potential corporate candidates lined up for such issues over the course of 1979.

John Evans

New issues at low ebb

TRADITIONALLY THE Stock Exchange has regarded itself as a market place in which finance can be raised for British commerce and industry, and for a variety of overseas ventures. The foreign ambitions of the stock market have long since collapsed in the face of foreign exchange controls. Now the UK role is also threatening to fade in the face of seemingly inexorable changes in the structure of the financial markets.

This is not to say that the Stock Exchange no longer has a role to play in the national economy. That could hardly be true when the net amount of Government gilt-edged stock sold in just the first nine months of 1978 was around £3.75bn. In the two previous years the Government had sold gilts at the even higher rate of over £6bn annually.

Moreover, the Stock Exchange has a very substantial and important activity in maintaining a secondary market in equities. The total value of existing Ordinary shares in British companies is rather more than £50bn and large volumes of shares are still traded every day.

But plainly the Stock Exchange is no longer a dominating force in the financing of industry. This has various aspects.

First, the demand for new capital by quoted companies has declined (though it soared temporarily after the credit crunch in 1974). During 1978 the amount of new money raised by listed companies through equity issues was only about £500m, if the rights issue by BL (effectively all provided by the National Enterprise Board) is ignored. This was the lowest figure since 1974.

Second, the stock market is no longer a significant raiser of new fixed-interest capital for private industry. The once-thriving market in debentures and loan stocks is gradually dying a death—in 1978 there was a net repayment of rather more than £100m of sterling company bonds.

Third, the attraction of a stock market listing to small British companies continues to be limited. The flow of new company listings has continued at no more than a trickle.

Various reasons can be put forward for this the poor ratings of small companies, tougher regulations which listed companies have to comply with, the stricter attitude of auditors of listed companies, greater opportunities for proprietors of private companies to find ways round pay controls, and crippling tax rates on earned incomes. Whatever the main reason, small and medium-sized companies no longer seem to need the stock market.

Fourth

A fourth aspect can be mentioned. Companies use the stock market not just as a place to raise money in, but also as one to spend money, by buying shares in other companies. During 1977 companies raised just over £1bn by means of issues, but spent almost £700m on other company shares, largely through takeover bids in cash. Most of the money therefore went back into the stock market. During 1978 (though full figures are not yet available) it may well have been that companies were net investors in the stock market, rather than net raisers of new capital.

The Stock Exchange has taken certain measures to try to sustain its fading appeal to successful private companies. The Stock Exchange Council, for instance, has given new emphasis to the facility under Rule 163 (2) (a) whereby applications may be granted for specific bargains in unlisted securities.

Recently, the Merrydown cider company was introduced to a kind of unofficial listing in this way. Details of trading under this rule are given in each Saturday's Financial Times, and it is clear from the shares mentioned that besides the activity in completely unlisted companies, there is also regular trading in some of the shares—such as James Burrough—which are listed on the Nightingale "over the counter" market.

But there are also pressures on the Stock Exchange to tighten up its regulations. Listed companies have to comply with a voluminous rule book, and impending legislation on "insider" trading promises to place further restrictions on what directors or executives can say and on whether and when they can trade shares.

Political pressures such as those concerned with share dealing, malpractices and financial disclosures have played a part in the estrangement of the stock market from industry. The Government has also contributed through inflationary economic policies which have led to the complete collapse of the company bond market. For loan capital companies now have to turn to the banks which, taking all types of finance, both short- and medium-term, have been supplying rather more than £3bn a year to industrial and commercial companies.

Another factor about which the Stock Exchange Council is deeply concerned is that the profile of investors has been rapidly changing. As recently as the 1950s the stock market was still dominated by private investors which gave the market a populist flavour and a varied nature. Now, the Stock Exchange is overshadowed by the big investment institutions. Every year, £1bn or £2bn of shares are sold by ageing private investors and bought by the big funds which are now estimated to own significantly more than 50 per cent of all UK equities.

Tax reliefs advanced to house owners and to contributors to pension plans, but not to individual share buyers, have changed the shape of the savings market. Enormous sums still pour into the stock market, but they are channelled through institutions numbered in hundreds rather than small investors numbered in millions.

This has implications for the shape of the equity market: big investors tend to like big companies rather than the thousands of small companies which traditionally have been listed on the London market. There are also profound political implications. Without a wide public involvement in the affairs of companies, it becomes much easier for Governments to impose arbitrary profit and dividend controls. And the concentration of shareholding power in the hands of a relatively small number of institutional fund managers has raised new political issues about the control of industry.

The Government has not been slow to exploit the enormous financial resources of the institutions, which in 1979—taking the life assurance companies and the pension funds together—may well rake in about £8.5bn. Thus the Government has rasied interest rates to a level which makes it inevitable that the bulk of the money will be attracted into gilt-edged securities. The stock market has been converted, primarily, into a means of financing the public sector.

How could this be changed? The Stock Exchange has embarked on a campaign to re-stimulate interest on the part of private investors, but so far this has achieved little. Fundamental changes are required in the tax system and in the attitude of the Government.

Concessions

The tax system needs to be shifted in favour of the small man buying shares, which probably also will require the reduction or removal of some of the concessions available on institutionalised savings. This may seem far-fetched, but already tax incentives have been granted as part of so-called "profit-sharing" schemes whereby employees can buy shares in their companies. And it is not necessary to look any further than across the Channel to France to find a country where share ownership by individuals is being actively encouraged.

As for the Government, it will be necessary for the attempts to stimulate the economy through persistent large public sector deficits to be moderated. The result of the combination of a large public deficit and relatively tight monetary restraint inevitably has been a nasty squeeze of the private sector. But some future Government may one day decide to let pass the lion's share of those juicy institutional cash flows. If that day comes, then the Stock Exchange will once again become a major source of new capital for British industry.

Barry Riley

Record year reflects the popularity of leasing

LAST YEAR went out with a flourish for the leasing industry. Contracts worth many millions of pounds were signed by leasing companies taking advantage of taxable capacity available at December year-ends, and yet another record year drew to a close. The outlook for 1979 is similar to that of a twelvemonth ago—extremely buoyant.

The leasing company members of the Equipment Leasing Association will have added about £1bn of new capital assets to their books in 1978, compared with £675m in 1977. In addition to this there is a large, unquantifiable volume of investment in leased assets by corporations seeking to take advantage of first-year allowances by purchasing plant and machinery for lease to third parties. Estimates of the volume of money involved varies between 10 and 40 per cent of the ELA totals.

Industrial corporations are leasing plant, vehicles and equipment more readily now than ever before, and leasing as a source of finance continues to grow at a significantly faster rate than other forms of industrial finance. The Royal Dutch Shell Group of companies, for example, valued its lease obligations at £173m at the end of 1977, which represented a little under 6 per cent of long-term borrowing of £2.7bn. At a recent conference in London, the Regional Treasurer at Shell International Petroleum responsible for leasing, Mr. G. R. Whitley, summarised the corporation's reasons for leasing as follows.

There were times, he said, when in conventional tax-oriented deals the lessee could make less use of depreciation allowances and investment credits than the lessor in a particular tax jurisdiction. This was a cost-saving consideration, but often there were other objectives which made a lease package attractive. Leasing allowed a diversification of sources of funds, giving access to funds not normally available. This applied to some sectors of the institutional market, where funds dedicated to a specific asset via a lease would be preferred to a corporate loan.

It was often useful too to have an "independent ownership presence," or a third party owner/lessor not directly connected (in this case) with the oil industry. This frequently had defensive political connotations, and allowed benefits available to the arms-length owner to be harnessed for mutual benefit.

There were cases, too, where a shareholder was reluctant for a variety of reasons to increase share capital or loan finance, and preferred to lease. Credit restrictions could also be a factor here. "Additionally, the attraction of an equity interest in the asset and in the residual could provide easier funding than through conventional credit arrangements, and furthermore, would generate 100 per cent of the cash acquisition cost," Mr. Whitley said.

The residual in a lease refers to the secondhand value of the asset when the primary lease period comes to an end. In some countries the lessee has an option to purchase the asset, sometimes for a nominal sum if the lessor has amortised the asset over the primary term. In the UK this is not permissible if the lessor has taken tax allowances on the asset, but normally 95 per cent of the value of the asset—sometimes even 99 per cent—is returnable to the lessee as a "rebate of rentals."

Attractive

An asset with a high residual value, such as an aircraft, can be an extremely attractive investment for corporate funds, providing opportunities for medium-term finance. In fact leasing has provided a steady source of medium-term finance for industry, leasing rates having proved remarkably steady throughout the wild fluctuations of the money markets as a whole.

A thriving sub-industry in lease brokerage has emerged over the past two to three years, which has had the effect of creating significant rate competition between lessors. Part of the competition for business involves negotiation over the value of the residual and the flexibility of rental payment arrangements. British lessors for the most part have proved far more flexible financiers than conventional bankers.

Operating leasing is commonly held to be an area of great potential. The largest leasing companies in the UK are subsidiaries of the banks, and generally write finance leases, that is, leases in which the asset is amortised over an agreed term, the lessor taking no interest in the maintenance of his property. A growing volume of leasing companies specialise in a line of products—computers, containers and motor vehicles are the prime examples—which are run under operating leases. The capital value of the asset is amortised over a series of shorter leases, rather than over one primary term, and maintenance services are provided at agreed rates.

The computer leasing sector is currently extremely volatile, chiefly as a result of IBM's development of cheaper and more powerful machines, and the expectation of even more startling new announcements. Computer users are reluctant to tie themselves down to long lease terms. Meanwhile, residual values and consequently rental rates have dwindled too. Attempts at insuring residual values have run on to very stony ground and, in fact, in the U.S. computer lease financing is at a near standstill for the moment because of residual uncertainties. Only operating lessors have the time and expertise to tackle these problems.

The motor car sector has grabbed a large slice of the leasing cake in recent months, at times causing controversy by eating up unexpectedly large portions of leasing company capacity, leading some companies on a search for further lines of finance. "The star of the vehicle leasing market has been car leasing—rising from £6m in 1976 to anything from £200m to £300m or £400m in 1978," says Mr. George Spokes, of IBOS Fleet-lease (Industrial Bank of Scotland). But he sees nothing untoward or undesirable in this growth. The £6m figure was incredibly small, because of certain government controls which formed barriers to business.

One of the star performers is vehicle leasing—particularly motor cars

If you assume that 60 per cent of all new cars are for business use, then the business car market is currently worth £4.9bn, says Mr. Spokes. So £200m represents only 6.7 per cent and even £400m is not an excessive figure, he says. He sees 1980 as being a year of peak interest, with 70 per cent of all cars, about 1.2m, being company fleet cars.

The area where dissatisfaction still prevails in the leasing industry is the accounting side. The biggest question concerns whether or not assets should be capitalised in the lessees' accounts—the lessee may not legally own the asset but he is to all intents and purposes liable financially. The Equipment Leasing Association, fearful for the legal rights of ownership, strongly recommends a comprehensive note to the balance-sheets underlining the liabilities involved. Also under consideration are methods of accounting for leases to recognise profits at appropriate times, and the treatment of investment grants which are non-taxable—the non-taxable element increasing the value of a grant by a book entry of 52 per cent.

Research study for a basic accounting standard was completed in March, 1974, and a sub-committee of the Accounting Standards Committee was formed in February, 1975, to develop exposure drafts. Consideration by the committee was put off during 1977 and 1978, and the latest news is that April, this year is the likely date. In the U.S., Federal Accounting Standard No. 13 requires the capitalising of leases in lessees' accounts, except in cases effectively concerning operating leases—and if operating leases can be treated "off balance-sheet," then that is considered an advantage by the industry.

For corporations looking for finance, leasing continues to offer a strong and flexible option, and there appears to be no reason why 1979 should not be another record year. The item of greatest influence will be the setting of accounting guidelines—and if the demanding procedures of Federal Accounting Standard No. 13 are emulated in the UK, it is at least comforting to note, in the words of Mr. William Montgomery, president of Chase Manhattan Leasing Corporation, New York: "The standard has now been in effect for two calendar years and the leasing industry seems to be unaffected by the change."

Robert Hawkins
Editor, Leasing Digest

How factoring speeds the cash flow

SLOWLY BUT surely factoring is establishing itself as a recognised financial service for British industry. True, there are still chief executives of many small companies unaware of what a factor does and a few who now appreciate the facility but reckon it to be too expensive or too intrusive to use. But over a thousand, mainly small, businesses are attached to one of the half dozen leading factors in the UK.

For the uninitiated, or the uncertain, the basic services of a factor are three. In effect a factor becomes the accounts department of its client company, assuming responsibility for its financial well-being, and leaving the company free to concentrate on producing goods or supplying a service. It "buys" the debts of its client, and chases up its customers to make sure that they pay.

But it does more than this administrative task. As soon as the factor receives the invoices it forwards to the client up to 80 per cent of the face value of the debts, passing on the remainder after a fixed period. So a company using a factor is not only assured of getting its money; it also receives it more than promptly.

In addition to handling the accounts and providing instant money a factor usually guarantees its client against bad debts. These three services are charged separately—a fee of between 1 and 3 per cent of turnover for the administrative and insurance facility, and an extra charge of about 2-3 per cent above base rate for the use of the cash. A client does not have to take all three services, and one leading factor, Alex Lawrie, does not offer the credit insurance side at all. It does not find this a disadvantage; indeed it factored £129m debts in its last financial year, a rise of 26 per cent, and saw its profits increase by 44 per cent to £1m.

The point is that if a factor has doubts about a customer of a client it declines to service the business or only covers it to a certain limit. One criticism of factors is that they only guarantee safe accounts. This is probably because in the early years, around a decade ago, factors lost a great deal of money through bad debts. Now they are worried if bad debts exceed more than 0.1 per cent of their turnover.

A factor must itself be financially solid and it is not surprising that the industry has become dominated by the major banks. Lloyd (and Scottish) controls three — International Factors with a turnover approaching the £200m mark; Alex Lawrie, which as well as not offering insurance tends to concentrate on smaller clients; and Independent Factors which was bought last January from the Bank of America. National Westminster owns the other leading factor, Credit Factoring; the Midland Bank has Griffin; and Barclays is building up Barclays Factoring, and has just merged its factoring and invoice discounting services into one company and established it at Basingstoke. It plans a turnover of £100m in the current year

The banks have other advantages in offering factoring as a financial service apart from their cash resources. They have well-developed computer systems which can handle comfortably the intricacies of acting as an accounts department for perhaps hundreds of small companies and they also are in an ideal position to promote factoring among their corporate customers. Bank managers could well push likely companies towards the bank's factoring arm.

Potential

But some businessmen dislike being so financially involved with their banks. They could be interested in H and H Factors, which is part of the Walter E. Heller group, or Arbuthnot, which also concentrates on working for smaller companies. And although there might be a bias among the big banks towards factoring their own customers, the competition for good prospects means there is no rigid pattern. Much more important is the type of business and the growth potential of the company looking for a factor. This is not a service for a company in trouble and more companies are turned down by factors than are accepted.

There used to be a concentration among the factors for working in a few old-established manufacturing industries — textiles and engineering in particular. Now factors are more adventurous and will work for service companies too. The main consideration is the quality of the management and the probability of expansion; factors dislike lame ducks intensely. On average companies being factored tend to have turnovers approaching £1m. a year, although the specialist factors will look at concerns with turnovers nearer £300,000, and in recent years quite large companies with sales in excess of £10m like the convenience of factoring. Sometimes a really substantial concern will use a factor on part of its business—for instance, a division operating in an area outside the main interests of the company, or in the export field.

The problems with a factor are first the cost, and secondly the intrusion. Factors tend to charge according to the work they are put to. If a client company has a few regular customers of good financial standing the charge will be low. But then, say the critics, the company does not really need a factor. If the business is complicated with lots of small accounts among suspect customers and seasonal as well—just in fact the complicated financial situation likely to cause an entrepreneur to pull his hair out—the factor is either unwilling to service it or else charges a very high fee.

Factors are also criticised for coming between a client and its customers, although in practice factors are scrupulous about not putting too much pressure on for payment of debts without reference back to the client. But obviously when there is a third party very involved in such delicate matters as advising whether to trade with certain customers, putting credit limits on them, and also collecting the debts, a really good working relationship between client and factor is essential.

Factors see themselves as well-intentioned advisers sharing the same aim as their client—an expanding and profitable business. They do not expect to have a permanent relationship with companies; ideally they take them on at an early stage in their progress and look after the financial side while turnover and management skills mature. Eventually most companies will want to establish their own accounts department and the factor will gracefully withdraw.

Exporting

One sector where a factor can be of great help is exporting. All the main factors have international links, either because their banks trade worldwide or because they are part of the Factors Chain International. This gives them contacts with factors in all the main trading nations and in practice it means that a company can export as easily and as safely as selling inside the UK. There are no currency problems; no worries about the financial standing of customers; no long delays in getting paid. The factor assumes the whole burden, and the cost need not be any greater than domestic trading.

The factoring service is as good as the client makes it. It can pay for itself and more if effective use is made of the ready cash—for getting discounts from suppliers for quick payment, or taking advantage of seasonal offers. Above all it leaves the management of small companies time to concentrate on what they are most skilled at, with no sudden financial crises. A company should always keep contact with its factor and be aware of what it is doing, and before entering into a relationship a company should also visit more than one factor and preferably three or four because there is still specialisation and the opportunity for competitive quotes. Wisely used a factor can be a very great asset at a certain stage in a company's development.

The growth of the industry to a total turnover of over £900m is the most obvious measure of the UK factors' success—together with their almost excessive profit figures.

Antony Thorncroft

Shareholders revolt at Volvo

BY WILLIAM DULLFORCE, Nordic Correspondent

THE NEXT three weeks promise to be the most dramatic in Swedish business history since the collapse of the Kreuger match empire in the early 1930s. When Volvo shareholders convene in Gothenburg on January 30 to vote on the sale of 40 per cent of their company to Norway, we shall know whether the decision of the Swedish Shareholders' Association (SARF) board to fight the deal has developed into a full-scale small shareholders' revolt.

Whatever the objective merits of their case against the Norwegian sale, one must recognise the courage of SARF's young and energetic chairman, Mr. Haakan Gergils, and his Board. Theirs was not an easy decision to take either in the immediate context of the Volvo-Norway deal or in the prevailing political climate in Sweden, where trade union pressure for the establishment of share-holding funds controlled by the unions and financed from company profits has become a dominant question.

The sale of 40 per cent of Sweden's largest commercial enterprise to Norway is indissolubly linked with an industrial agreement between the two governments, which would ensure long-term deliveries of Norwegian North Sea oil to Sweden. No Volvo agreement, no oil. This was made clear by the Norwegian Labour Government within hours of the SARF announcement that it would fight the Norwegian deal.

Union spokesmen have already used such terms as "outrageous" and "scandalous" to describe SARF's action and charged it with putting short-term profit motives before national interests. The SARF decision should "open the eyes of the whole people to the necessity for some form of wage-earner share-holding funds" the chairman of the Volvo branch of the Metalworkers' Union stated.

The efforts of Mr. Pehr Gyllenhammar, Volvo's managing director, to solve the car and truck manufacturer's long-term capital needs are thus threatening to revive the old struggle between capital and labour and to bring to a head the political confrontation about union demands for worker control over capital. Should SARF succeed in blocking the Norwegian deal, it would certainly become a key issue in the September general election, in which Mr. Olof Palme's Social Democrats will be attempting to return to power.

Yet SARF can fairly claim to be voicing the doubts and uneasiness of Sweden's small shareholders, to whom most political parties at least pay lip service as one of the pillars of the mixed economy which Sweden so successfully practised in the 1950s and 1960s under Social-Democrat rule.

Fair return

In the particular context of the Volvo-Norway deal many shareholders fear that the involvement of the Norwegian Government would turn Volvo into a public concern whose priority would be to create jobs and maintain employment rather than to provide a fair return on shareholders' money.

Four years ago SARF was on the point of dissolution but since then it has experienced a remarkable revival, coinciding with the trade unions' push for share-holding funds. It now has 25,000 members and has been able to obtain representation on the Boards of at least 10 Swedish companies, including Electrolux, Uddeholm and the Skandia Insurance company.

Its major feat was the collection of 12,000 proxies from Volvo shareholders, covering 29 per cent of the voting rights, which enabled it to get a representative appointed to the Volvo board at the last annual general meeting.

Mr. Haakan Gergils, who became chairman in 1977, is part owner of a small family clothing company from western Sweden. SARF members pay an annual subscription of SKr 75 (£8.70) and Mr. Gergils likes to point out that the association has nothing like the financial resources of the trade unions. Union leaders retort that SARF has the support of major companies and it has even been suggested that in the Volvo case the association is being used as a stalking horse for "more powerful capital interests."

This is a euphemism for Dr. Marcus Wallenberg, the leading figure in Swedish business for the past 40 years and the chairman of Saab-Scania, the rival Swedish car and truck company with which Volvo tried unsuccessfully to merge in 1977. It may be more than a coincidence that the investment companies associated with the "Wallenberg Bank"—Skandinaviska Enskilda—are more sceptical about the Volvo-Norway deal than the companies close to Svenska Handelsbanken, whose former chairman, Dr. Tore Browaldh, is now the Volvo chairman.

The SARF board's objections to Mr. Gyllenhammar's capital-raising deal are that Norway is getting 40 per cent of Volvo far too cheaply, that Volvo's commitments to invest in Norway, create jobs there and pay dividends to the Norwegian holding company would have a deleterious effect on the company's cash flow and over a five-year span would also undermine the equity consolidation achieved by the SKr 750m new share capital from Norway.

The price is debatable. The Stockholm Stock Exchange currently values Volvo at somewhat less than SKr 1.5bn with the share price hovering around SKr 80 after plunging from SKr 250 four years ago. The SARF argument is that, based on its profit performance, the truck and bus side of Volvo's operations is alone worth some SKr 2bn and that the Volvo board is effectively giving away free the car operations, which account for half the company's turnover.

To ram home the argument that Volvo's commitments to Norway would erode the advantages of the SKr 750m equity input, Mr. Sten Johnsson, the leader of SARF's analysis team, has put forward an alternative suggestion under which Volvo would raise SKr 400m in new capital on the Swedish market alone. Mr. Gergils also points out that Volvo holds property valued at SKr 12.5bn.

Mr. Johnsson figures that over the five-year period to the end of 1984 the Norwegian deal is likely to give Volvo a cash flow deficit of SKr 410m compared with a gain of SKr 200m, if the company instead raises SKr 400m in Sweden. The gap stems chiefly from the extra costs and investments in Norway and the larger dividend payment called for.

His calculations also show that the Norwegian agreement would raise Volvo's equity ratio (measured as equity plus all untaxed reserves as a proportion of total capital) by three percentage points in 1979 but would leave it with a decline of 0.6 per cent in 1984. In contrast, he expects the raising of SKr 400m within Sweden to boost the ratio by only 0.8 per cent in 1979 but to preserve that equity ratio until 1984.

The example used by Mr. Johnsson — SKr 400m new capital from the Swedish market — parallels suggestions from the Custos Investment Company (2.4 per cent of the Volvo voting rights), the Skandia Insurance Company (1.4 per cent) and none other than Dr. Wallenberg that Volvo need not look to Norway for new risk capital. But, it must be emphasised, no concrete suggestions on how this capital is to be raised have so far been tabled.

Mr. Pehr Gyllenhammar, managing director of Volvo (left), and Mr. Haakan Gergils, chairman of the Swedish Shareholders' Association.

At the Volvo shareholders' meeting on January 30, 33.4 per cent of the voting rights will be enough to defeat the sale to Norway, because a two-thirds majority is required to change the company's articles to fit the new organisation. At the last annual general meeting SARF held proxies for 29 per cent of the total voting rights and 33.7 per cent of those represented at the meeting.

SARF's letter to Volvo's 130,000 shareholders advising against the Norwegian deal is being accompanied by proxy forms, by which shareholders can instruct SARF to vote for (or against) the Volvo Board's proposal. Those who gave SARF their proxies for the last annual meeting can thus ignore SARF's advice.

The Volvo board has started to collect proxies on its own account while the Volvo trade unions are meeting this week to plan their counter action to SARF and are expected to seek proxies from Volvo employees holding company shares.

The National Pensions Fund holds 5.6 per cent of the voting rights and its Board has agreed that 60 per cent of its votes should be used by its trade union members with the managing director voting the other 40 per cent. The union members have already said they will vote for Volvo's Norwegian deal. The managing director has voiced reservations privately but will vote "yes" in line with his board's instructions.

It is clear that SARF will have to collect more proxies authorising it to vote against the Norwegian deal than the 12,000 it held at the last annual general meeting. But this is by no means impossible. A summary in the Stockholm daily Dagens Nyheter last Wednesday, based on known commitments and the latest indications of voting intentions, gives the opponents of the Norwegian deal 33 per cent of the voting rights with 13 per cent still undecided.

But both SARF and the shareholders will be subjected to a full-scale political campaign in favour of the Norwegian agreement over the next 15 days. And the institutional investors which have already expressed doubts about the agreement may well change their minds, when the unions use SARF's stand to justify their demand for worker share-holding funds.

The Liberal minority Government's reaction has been cautious. The Prime Minister, Mr. Olaf Ullsten, acknowledged the shareholders' right to vote down the Norwegian agreement but reiterated that the Government considered it both good for Sweden and for Volvo.

No sabotage

Mr. Gergils has so far met charges that his association is sabotaging agreements safeguarding Sweden's future oil supplies and offering necessary industrial co-operation with oil-rich Norway by the argument that responsibility for agreements negotiated by governments cannot be thrust on an organisation representing shareholders. Volvo's shareholders could not be asked to pay for an industrial co-operation agreement between two countries. His remark that a vote against the Volvo-Norway deal need not undermine Sweden's oil agreement with Norway is disingeneous in view of the Norwegian Government's attitude.

The Volvo Board is clearly shaken by the SARF stand, although Mr. Gyllenhammar has reacted publicly with his usual aplomb. He believes the odds are still in his favour, pointing out that Volvo has 130,000 shareholders while SARF totals only 25,000 members.

The SARF analysts' criticism of the agreement with Norway was theoretical and misleading, he argues. The agreement, moreover, was not just a matter of arithmetic but a strategy for the future. It offered opportunities for product development which were unique in their scope and gave Volvo the chance to come up with the products it would need in the next decade.

SARF had undervalued the importance of the oil concessions Volvo would obtain in the Norwegian North Sea under the agreement. These gave Volvo entry to one of the most expansive industrial branches and, Mr. Gyllenhammar hinted, if Volvo played its cards well, it could win further concessions on the Norwegian Continental Shelf.

He also pointed out that none of the larger shareholders had yet taken a definite stand against the Norwegian agreement. SARF has undoubtedly put Mr. Gyllenhammar's imaginative move into jeopardy and even raised questions about his future tenancy of the managing director's seat but the association's leaders and sceptical shareholders will need strong nerves over the next 15 days if they are to withstand the pressure that will be mounted against them.

It would also be easier for them, if someone could come up with a realistic and concrete alternative to Volvo's capital needs. This would seem to be the task of the bigger Volvo shareholders, who have as yet only mooted the possibility.

In retrospect it is hard to avoid the conclusion that the merger between Volvo and Saab, which aborted in 1977, would have been a simpler and more obvious solution to the problems of Sweden's car industry. It would also have involved less political dynamite than a shareholders' vote against Volvo's Norwegian agreement would contain.

Letters to the Editor

Changing jobs

From Mr. P. Nash

Sir,—The current interest in pension scheme leaving service rights has stimulated a number of suggested solutions to the problem of such rights varying from the present legal minimum (which for short service leavers can be nothing) through to benefits based on hypothetical inflation proofed pensionable earnings many years after the leaving date. It is unlikely that any solution will satisfy all parties, but it is important that commercial commonsense should prevail in the debate.

Anything is possible if someone is prepared to pay for it, but there is a clear distinction between the ability of an employer in the private sector to set aside part of his profits and that of the public sector where the taxpayer foots the bill.

Whatever the conclusion of the Occupational Pension Board when it reports on this matter, the following points need making. Scheme members leaving of their own accord should put a value on their pension rights together with a value on their new and old salaries and conditions as part of the personal equation in deciding whether or not to join a new employer. It is inequitable to expect a commercial employer to underwrite future unknown earnings increases particularly when many major employers already provide leaving service benefits in excess of minimum statutory requirements. It is also unfair to remaining scheme members if such additional costs are carried by the pension fund.

If the costs of leaving service benefits increase then we must expect a downward trend in scheme benefit structures. For example, sixtieths final earnings schemes may become eightieths final earnings schemes or final earnings schemes generally may revert to average earnings type arrangements.

Commercial companies are restricted by what they can afford to spend on pensions out of current profits and an increase in leaving service benefits will logically lead to a comparable reduction elsewhere.

Philip Nash,
3 Birch Crescent, Aylesford, Maidstone, Kent.

Bullying habit of unions

From the Managing Director, Tek Translation and International Print

Sir,—I do regret that your leader article on trade union power, January 9, didn't have more to say and couldn't speak in a more forthright manner.

It is unquestionably clear today that union power is too great. And that there is no authority in this land of ours which is able to exert effective control of it.

Everyone knows the reasons for unions. What one must concentrate on is the bully tactics of the unions which are so prevalent today and which, as in your leader article, are being criticised so nervously.

It is wrong for unions to make the public their victim. Bread queues, petrol queues, food buying panics, holiday travel delays, dangerous, icy, ungritted roads, intimidatory pickets drawing other non-involved workers into a striking union's dispute. The list is very long indeed.

Noticeably there is a self-righteous and self-pitying tone to union statements. But the days when unions stood up for the pitifully oppressed are gone. And the unions don't need such a working class, inferiority complex any more. They have power.

They also have power to stop the advance of technology, progress in our country. And they use it all too often ignorantly and destructively.

The point surely is that we must have some way of dealing with union power. There's no need to talk about union rights, they have plenty there already. Unions now act against society and society has neither protection against them nor the capacity to regulate them rationally within society.

Strikes are not infrequently about money. And contrary to your leader article it is in that area that strikers could be discouraged—by removing the present support given to strikers' families. Union power is also possessed of union wealth these days and unions should stand on their own feet in times when they think that they must strike because no doubt there are times when they must. But they could be encouraged to have a more thoughtful and a more resourceful attitude to strikes (e.g., negotiate more skilfully) if they didn't get financial support or subsidies to strike.

Furthermore, in an attempt to control union power there should be fines against unions who bring strikes which are judged to be unreasonable. This judgment could surely be made by a jointly appointed body specifically designed to act and to act quickly in respect of all strikes given certain conditions. It would furthermore begin to establish a structure of control and orderliness about the union power/strike situation. At the moment strikes hit like a disease and there is neither adequate cure nor adequate warning nor adequate protection. In fact this bullying habit of unions—to strike when they will most hurt the people of Britain, men, women and children alike—is perhaps the most unsightly, nasty and cowardly development of union practice since the beginning of the movement. The country has to find an answer to it and I believe that a newspaper has a significant responsibility in attempting to provide answers and that your own newspaper is failing in this respect. At least you could express positive attitudes towards problems, even if you find it difficult, quite reasonably so, to provide solutions daily in your columns.

Bernard Keigher.
Tek Translation and International Print.
11, Uxbridge Road, W.12.

The strike weapon

From Miss M. Gough

Sir,—Mr. Sutton (January 8) may have confused himself but not, I hope, your readers. Only Mr. Imrie can define his principles and desires, and choose between them. Mine are irrelevant unless they happen to coincide with his. Governments, not being individuals, do not have principles, they have aims and policies which are likely to be far more volatile than the principles of private persons.

Furthermore, in a situation where public sector pay is below that of the private sector, I cannot see that Mr. Imrie is likely to make much of a sacrifice in pay if he resigns. Other factors have to be considered, of course; much depends on his age.

Quibbles aside, however, it seems to me that the civil war to which Mr. Sutton refers, which is at the moment in full force, is between customers and employees; employers do not mind putting up prices and pay if their customers will pay. The real stupidity of this war is that the employees and the customers are mostly the same people wearing different disguises so effectively that they are incapable of recognising themselves. And when these striking employees defend their standard of living so staunchly (though misguidedly) they should remember that public sector employees provide services which are part of that standard, for which they should expect to pay at a rate equivalent to that which they claim for themselves.

Miss M. Gough.
4 Cross Cottages, Stogursey, Bridgwater, Somerset.

Monopoly of power

From Mr. E. Crayfourd

Sir, — Should not the Transport and General Workers' Union action at the present time be referred to the Monopolies Commission?

E. L. Crayfourd.
Tanglewood, Back Lane, Grindleton, Clitheroe, Lancs.

Programming negotiations

From Mr. D. Morris

Sir,—In a civilised industrial society one would not expect trade unions to strike first and argue after, it is a far cry from the responsible free collective bargaining which union leaders were promising a few months ago.

Over the years Parliament has given trade unions legal rights to assist them in their work, but today union leaders are taking advantage of their position and the public are suffering. It is Parliament's primary responsibility to protect the public especially in present circumstances. Without any proposals from the TUC, perhaps a measure to "programme" negotiations should be considered, such as: Four week's negotiating period including at least 20 hours "contact" time: if no agreement then, two weeks compulsory conciliation or arbitration. if no agreement then, three weeks for a compusory postal ballot conducted by an independent body; and if a majority of over 50 per cent vote in favour of a strike then the union may call an official strike, but must give ten days notice.

It would seem reasonable in these circumstances—but no other—that strikers' families should be entitled to social security benefits and trade unions should be protected from claims by third parties.

David C. Morris.
21 Soho Square, W.1.

Bringing down Lloyd's

From the President Royal Institute of British Architects

Sir,—Mr. Marcus Binney (December 2) raises a number of points about the Lloyd's development proposals. Some of them are clearly not for me but on others and in my capacity as president of the Royal Institute of British Architects I am qualified to comment.

In my opinion Lloyd's has demonstrated the highest order of responsibility and achitectural patronage in its approach to the problems on this sensitive site and in the procedure adopted for choosing the architect. Would that other important clients took the same trouble in terms of time and money, not only in their own interests but in the interests of architectural quality, present and future, with which Mr. Binney is rightly concerned.

Having been asked by Lloyd's to assist in the briefing and selection procedure I can assure Mr. Binney that the instructions to the six architectural firms of international repute who were commissioned to react to the problem left entirely open the question whether or not the old building should be retained. None considered retention a practicable way of meeting the requirements. I can also assure Mr. Binney that in the searching appraisal of the various submissions the reactions of the architects to the City environment were a central consideration.

The intrinsic merit of Lloyd's old building is open to debate but I doubt if many would quarrel with the brief description in "Save the City"—"dull of their kind . . . . conventional commercial classical." That is not to say that demolition should be contemplated lightheartedly, nor has it been. Furthermore, the quality of the replacement is of the greatest importance. Lloyd's is quite clear about this and has demonstrated an acceptance of responsibility by the trouble it has taken to find architects of flair and imagination. I am confident that a major new City building of real distinction can result. As an evolving place the City can well do with a few more such buildings.

That is the fundamental point I wish to make. As to some of Mr. Binney's other comments on the way in which additional space requirements might be met—based on an erroneous figure of 7,000 sq ft, the potential effect of data processing, and the real character and function of the underwriting room—I would only say that he must do a lot more homework before he can seriously challenge the validity of the project on such grounds.

Gordon Graham.
66, Portland Place, W1

Today's Events

GENERAL

House of Commons returns after Christmas recess—Government statement on strike situation expected.

Ministry of Agriculture publishes annual Review White Paper on the state of British farming.

Mr. Tom Keating appears at Old Bailey accused of conspiracy and deception concerning Old Master reproductions.

Mr. Felipe Gonzalez, first secretary of the opposition Spanish Workers' Party, arrives in London for three-day visit, will meet the Prime Minister and the Foreign Secretary.

National Union of Teachers publish details of pay claim.

European Parliament assembles in Strasbourg (until January 19).

EEC Foreign Affairs Council meeting in Brussels.

U.S. Congress reconvenes after Christmas recess.

International group of trade unions (ORIT) plan boycott of goods moving to and from Chile.

UN General Assembly opens for 10 days to clear business unresolved at Christmas.

Tokyo Round of world trade negotiation talks resume in Geneva.

South Asian and Third World trade Ministers meet in Colombo for three days to prepare for UNCTAD conference in Manila.

Palestine National Council convenes in Damascus.

Maltese Government presents budget to Parliament.

Sir Kenneth Cork, Lord Mayor of London, attends Gardeners' Company Dinner, Mansion House.

PARLIAMENTARY BUSINESS

House of Commons: Motion to take notice of the 11th Report from the Expenditure Committee for 1966-77, and 12th Report, 1977-78, on the Civil Service.

OFFICIAL STATISTICS

Balance of payments current account and overseas trade figures for December. Provisional retail sales figures for December.

COMPANY RESULTS

Final dividends: Meggitt Holdings, Norfolk Capital Group, Great Northern Investments, Ultra Rubber. Interim dividends: Restmor Group, Howard Shuttering, Regional Properties, Highgate Optical and Industrial.

COMPANY MEETINGS

See Financial Diary on Page 27.

Good second half boosts Associated Sprayers

A SECOND-HALF jump in taxable profits from £67.102 to £295.492 at Associated Sprayers boosted the figure for the full year ended August 31, 1978, from £139,102 to a record £397,492—a rise of 185 per cent. Sales increased to £6.72m against a previous £6.06m.

Mr. H. E. Newton-Mason, the chairman, says the balance sheet has been greatly strengthened, and the short-term debt eliminated.

Earnings per 10p share are well up at 5.07p (1.78p) and the directors propose a dividend, payable on March 1, of 2p net per share, the first distribution since a 1.47p final for 1974. Also proposed is a one-for-five scrip issue.

	1977-78 £	1976-77 £
Sales	6,774,996	6,061,645
Trading profit	455,784	237,623
Interest	58,292	98,521
Profit before tax	397,492	139,102
Tax	213,248	74,330
Net profit	184,146	64,772
Dividend	61,383	—

● comment

Associated Sprayers has romped home with nearly trebled pre-tax profits. True the second half benefited from the upturn in consumer spending on both its gardening and household goods activities (business is split roughly 50-50). But the change of management style following the appointment of Mr. Beney a year ago had also made an important difference. The loss-making EPIC business has been sold off, the shower cubicles and electrical activities have been run down and other product lines cut back. Much tighter financial control has been implemented and a combination of reducing stock and pushing creditors and debtors in the company's favour has produced a £1.3m turn round in liquidity to a cash position of £0.5m.

Associated has the hallmarks of a company moving into another era and this year should produce further growth. The shares rose 5p to 88p on Friday ahead of the results where the p/e is 11. The return to the dividend list is a 5.3 per cent yield and though the shares are already discounting much of the growth prospects they could be worth watching.

FT Share Service

The following security has been added to the Share Information Service appearing in the Financial Times.

Kanch Services Inc. (Section: Overseas-New York).

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals, and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Highgate Optical and Industrial, Howard Shuttering, Regional Properties, Restmor.

Finals: Great Northern Investment Trust, Jitra Rubber Plantations, Meggitt Holdings, Norfolk Capital.

FUTURE DATES

Interims—	
Caledonian Trust	Feb. 12
City of Aberdeen Land	Jan. 17
Cowan, De Groot	Jan. 25
Dowty	Feb. 7
Finlas	Jan. 17
G.T. Japan Investment Trust	Jan. 23
Group Investors	Jan. 16
Property Security Invest. Tst.	Jan. 18
Saville Gordon (J.)	Jan. 17
Schlesinger Far East Fund	Jan. 25
Schlesinger Int. Fund (Jersey)	Jan. 25
Throgmorton Trust	Jan. 22
Wellman Engineering	Jan. 18
Western Board Mills	Jan. 16
Finals—	
Amcol	Jan. 17
Anglia Television	Jan. 17
Blundell-Permoglaze	Jan. 31
Lookers	Jan. 17
Mackinnon of Scotland	Jan. 19
Spencer Clark Metal	Jan. 16

Upsurge for Avenue Close

Pre-tax profit of Avenue Close rose from £172,263 to £258,362 for the half year ended September 30, 1978, on turnover well up from £262,582 to £446,143.

The directors say they are satisfied with the progress of the company and expect results for the full year to show a further improvement—pre-tax profit for the 1977/78 year was £359,000.

First half turnover included rents receivable during the period of £325,668 (£262,582), sales of development properties £113,000 (nil) and interest receivable £7,475 (nil).

Profit was subject to a tax charge of £134,210 compared with £88,303 last time, and the attributable balance came out at £124,152 (£86,760)—last year there was an extraordinary credit of £3,800.

The directors anticipate an increased dividend for the year, last year's being 1.625p net.

RIGHTS RESULTS

Yorkshire Fine Woollen Spinners announces that acceptances have been received in respect of 513,086 20p ordinary shares (86.99 per cent) of the recent rights issue of 589,780 shares made at 28p per share.

All the remaining new ordinary shares which were not taken up by shareholders have been sold at a premium, and the net proceeds will be distributed pro rata to the original allottees, in accordance with the terms of the offer document.

Rivington Reed's rights issue of 1.5m Convertible Redeemable Preference shares has been taken up to the extent of 1,298,779 shares (86.6 per cent).

Customagic losses rise to £61,000

PRE-TAX losses of Customagic Manufacturing rose from £15,806 to £61,131 in the half year to October 31, 1978, on turnover down from £1.91m to £1.58m.

At the end of last year the pre-tax losses of the company, which became a subsidiary of Mooloya Investments in July 1978, were £189,000.

The before tax figure was after exceptional expenditure of £24,819 (nil). There is again no tax.

After extraordinary debits of £58,725 (nil) the net loss jumps from £15,806 to £119,856. The figures are after crediting a temporary employment subsidy more than halved from £156,000 to £61,000.

At the end of last year shareholders were told that moving to Derby Street, Cheetham, Manchester, would result in considerable savings, and the closure of some 96 shops since May 1977 would reduce selling costs.

The chairman then said further closures would take place during the current year in accordance with the policy of concentrating sales in major retail outlets.

Kennings Estates profit fall

Lower profits are reported by Kennings Estates, subsidiary of Kenning Motor Group, for the year to September 30, 1978. The pre-tax surplus slipped from £1.45m to £1.4m on turnover of £1.41m, against £1.39m.

Tax takes £732,000 (£754,000) and retained profits come out at £277,000, compared with £312,000.

Freddie Mansfield

Mr. I. M. Abrams, chairman of the Restmor Group, at the Hackbridge factory with the new de luxe reclining pushchair being produced exclusively for Mothercare. Restmor's interim figures are expected today.

George Blair slumps and warns on year

Despite an increase in turnover from £4.69m to £5.15m in the 28 weeks to September 30, 1978, pre-tax profits of George Blair and Co., engineering and steelfounding, fell sharply from £507,000 to £221,000.

Mr. I. L. Blair, chairman, states that prices have been adversely affected by the highly competitive conditions which now prevail in the steel foundry industry throughout the world and by the weakening of the dollar.

Trading conditions continue to be more difficult than previously anticipated and there is no indication that these will improve in the near future. Shareholders are warned not to expect the previously forecast improvement in the second half.

However, an increased number of employees and higher turnover indicates improved productivity which the Board believes will "stand the company in good stead" when trading conditions improve.

The net interim dividend is 4.4p. Last year's total payment was 10.04p.

The company's shares are traded on The Over-the-Counter Market made by M. J. H. Nightingale and Co.

Belhaven repaying £550,000

Belhaven Brewery Group is repaying immediately £550,000 of medium/long term loans, carrying interest at approximately 14 per cent per annum, as to £425,000 to the Commonwealth Development Finance Company, and £125,000 to the I.C.F.C.

These loans are being repaid with surplus cash funds generated from the current high cash flow of the group.

Investors Capital Trust

Gross revenue of Investors Capital Trust increased from £3.27m to £3.65m in the year ended November 30, 1978, and net revenue available for ordinary shares was higher at £1.39m, compared with £1.12m previously.

Earnings per share are shown at 2.26p, against 1.81p, and the final dividend is 1.3p making a 2p total for the year, against 1.65p in 1976-77.

Net asset value per 25p ordinary share is 97.7p (95.4p).

NEW LIFE BUSINESS

Phoenix premiums jump by 32%—writes £1.7bn

NEW ANNUAL premiums on worldwide life business of the Phoenix Assurance group rose 32 per cent last year from £11.5m to £15.2m. New single premiums advanced by 10 per cent from £19m to £21m. New sums assured amounted to £1.7bn compared with £1.1bn in 1977, and new annuities totalled £17.1m against £13.9m.

In the UK, new annual premiums improved by 42 per cent from £8.5m to £12.1m. The company recorded good sales of both executive and self-employed pension contracts with annual premiums 20 per cent higher. But sales of group life and individual term contracts, in which Phoenix is a market leader, were extremely buoyant. Group life premiums were 74 per cent higher on the year and individual term assurances 40 per cent higher.

Single premium business in the UK amounted to £14m, of which 95 per cent was transacted by the link life subsidiary, Property Growth Assurance. Sales of linked bonds proved to be extremely good with investment being concentrated in the property and agricultural funds.

Record new business figures for 1978 have been announced by Sun Life Pensions Management, a member of the Sun Life Assurance Group. Total new premium income rose from £9.8m in 1977 to £20.2m last year, of which £15.9m came from transfers of schemes previously insured with Sun Life. The number of pension scheme clients using the fund for investment rose to about 70 and the value of the fund jumped from £34m to £60m at the end of the year.

Mr. John Webster, general manager of Sun Life Pensions, reports that the portfolio at the end of 1978 was split 49 per cent fixed-interest, 31 per cent equities, 1 per cent property and 19 per cent cash. The managers, in view of the uncertainty of the market, had allowed the liquidity of the fund to build up towards the end of the year.

Substantial new business gains in 1978 is reported by London Life Association, new annual premiums rising by 78 per cent from £2.88m to £5.12m and single premiums by 55 per cent from £1.39m to £2.16m. Amounts invested in immediate annuities, in which the company had been a market leader, improved 25 per cent from £2.15m to £2.68m.

The company expanded its ordinary individual life and endowment annual premium business by nearly 70 per cent to £1.31m and its self-employed pension contract premiums by 40 per cent to £1.1m, but the most buoyant factor last year was company and executive pensions—boosted by the introduction of the new state pension scheme these recorded premiums of £2.7m, more than double the level of the previous year. The growth in single premium business came mostly from pensions.

Commenting on the figures, Mr. Roy Avery, the company's new business manager, says that last year's gains has been made in all classes of business and exceed the targets set for replacing within a reasonable period the business lost by the transfer from the Federated Superannuation System for Universities. These new business figures reflect particularly well on the branch staff of the company who deal personally with clients, since London Life does not pay commission.

London Life, which introduced a terminal bonus system last year, has announced the rates applicable to claims arising up to the period ending June 30, 1979. On the ordinary reversionary bonus system, the rate is 35 per cent of attaching bonuses up to a maximum payment of 47 per cent of the basic benefit. On the simple bonus pensions business, a special bonus annuity will be added amounting to 25 per cent of attaching bonuses.

On the company's unique Reduction of Premiums system, the terminal bonus for the 6th to 68th series is ¾ per cent of the sum assured for each complete year from closure, the maximum of 26 years. For the 69th and subsequent series, the rate is 0.5 per cent of the sum assured on each complete year.

SHARE STAKES

Parambe—Mr. R. C. A. Shaw has acquired 200,000 ordinary shares (5.33 per cent).

Alpine Soft Drinks—Mr. K. E. Price, director, has acquired 4,000 ordinary shares making total holding 18,000.

Paterson Zochonis—Mr. B. Spouders and Mr. G. A. Loupos, both directors, have notified the company of following reduction in their non-beneficial interests—48,606 ordinary shares and 26,394 "A" (non-voting) ordinary. Reduction arises because of their resignation from the position of trustees.

William Baird and Co.—Mr. T. D. Parr, director, has become interested non-beneficially in additional £20,000 ordinary shares bringign total to £35,750.

J. N. Uichols (Vimto)—Mr. J. N. Nichols, director, has sold 10,000 shares.

Spillers—Mr. G. A. Whittaker, director, has purchased 10,000 ordinary shares.

Western Board Mills—Royal London Mutual Insurance Society now holds 238,500 shares and its pension fund a further 50,000, together representing 5.45 per cent.

Longton Transport (Holdings)—A substantial shareholder, Industrial and Commercial Finance Corporation and its associates, have reduced their holding from 1,071,025 ordinary shares to 1,021,025 reducing holding from 17.06 per cent to 16.27 per cent of equity.

London Brick Company—Sir Ronald Stewart, a director, has exercised an option under the share option scheme. As a result 30,000 shares fully paid have been allotted at par for cash on January 8.

Charles Clifford Industries—Jove Investment Trust holds 80,000 ordinary shares (6 per cent).

Derritron — Amalgamated Industrials Holdings has purchased a further 85,000 ordinary shares bringing total holding to 10,974,296 (84.2 per cent).

COMPANY NOTICES

CITY OF OSLO 5¼% Bonds of 1964

FINAL REDEMPTION

Holders are reminded that the final redemption of these bonds will be effected on 15th February, 1979 at the offices of:—
S. G. WARBURG & CO. LTD.,
30, Gresham Street,
London EC2P 2EB
or at one of the paying agents named on the reverse of the bonds.

Interest will cease to accrue on the bonds on and after 15th February, 1979.

S. G. WARBURG & CO. LTD.
as Principal Paying Agent

15th January, 1979.

PUBLIC NOTICES

METROPOLITAN BOROUGH OF TAMESIDE

VARIABLE RATE REDEEMABLE STOCK 1983

The Council of the Metropolitan Borough of Tameside announce that the half-yearly payment of interest due on 12th July, 1979, on the above stock will be at the rate of £6.5625 (less income tax) per £100 of stock.

11th January, 1979.

TRAVEL

MARBELLA, MAJORCA, ALGARVE. Golf Holidays from £88. Incl. flight, hotels or apts. Self-drive car. Edwards Topgolf. 01-903 4771 (24 hrs.). Brochure. ABTA.IATA.ATOL 878B.

SKI, ITALY, DOLOMITES. Good late snow. Great value Ski Hols. 01-734 3094 (24 hours). Agts. ATOL 702B.

Companies and Markets **INTNL. COMPANIES and FINANCE**

MacMillan directors oppose bid from CPI

VANCOUVER — Directors of MacMillan Bloedel issued a statement opposing plans by Canadian Pacific Investments (CPI) to take over their company.

CPI has announced plans for C$28 a share offer for MacMillan Bloedel shares to obtain control.

CPI is the largest MacMillan shareholder with a 13.4 per cent interest.

The MacMillan Bloedel statement included a text of a board resolution saying that "in the light of all the circumstances now pertaining, the company do oppose any further activity on the part of Canadian Pacific at this time or by any of its associates or affiliates to acquire any further common shares of the company."

A Canadian Pacific spokesman in Vancouver said that the formal takeover offer had still not been mailed to shareholders.

Reuter

McGraw-Hill will decide policy today on Amex bid

BY STEWART FLEMING IN NEW YORK

THE BOARD of McGraw-Hill, the U.S. publishing group, meets today to hammer out its policy towards the $830m takeover bid which American Express launched last Tuesday.

The McGraw-Hill board will be without Mr. Roger H. Morley, president of American Express, who officially resigned from McGraw-Hill last week.

Mr. Morley's role in the American Express approach—along with his chairman Mr. James D. Robinson—has clearly incensed Mr. Harold J. McGraw, who is McGraw-Hill's chairman. Mr. McGraw immediately described his company's reaction to the proposition as "negative" and said he was personally very disappointed in the way American Express had handled it.

American Express, for its part, has been at pains to scotch any suggestion that Mr. Morley is in a privileged position as a result of his previous position.

American Express has said that its lawyers have been through Mr. Morley's files to determine if he had any McGraw-Hill insider information that should be disclosed but says they found none.

Meanwhile, on Wall Street, McGraw-Hill's shares rose again on Friday to close at $33⅞ compared with the proposed $34 a share cash offer from American Express which has also said it is prepared to offer a mixture of cash and securities.

Such an offer might reduce the potential tax liability for McGraw-Hill shareholders wanting to accept a formal offer when it is made.

The rise in the share price close to the proposed offer price tends to confirm reports that speculators are buying McGraw-Hill's shares in anticipation of a higher bid.

The potential for profit depends in part, however, on the attitude the McGraw-Hill board adopts at its meeting today.

Although the chairman, Mr. Harold McGraw, has made no secret of his desire that the company remain independent, the board must decide whether it can realistically hope to fight off American Express and whether this is in shareholders interests. Alternatively, it could argue that the current offer is inadequate or it could seek a rival bidder.

There are, however, a limited number of companies who could afford the $1bn or more it might take to outbid American Express.

Corco acts over merger plan

BY OUR FINANCIAL STAFF

THE FINANCIALLY troubled Commonwealth Oil Refining Company (Corco), currently operating under the shelter of the U.S. bankruptcy laws, has responded cautiously to a renewed takeover attempt by a group of Arab investors.

Commonwealth, one of the leading oil refiners in the U.S. and owner of a $1bn refinery complex in Puerto Rico, said that it approved certain aspects of a revised proposal from Arabian Seaoil Corporation, which is led by Mr. Roger Tamraz. The new bid provides for an extra $30m investment in common stock and changes in settlement terms with some directors.

The U.S. company has authorised a committee to negotiate a definitive agreement with Arabian Seaoil, whose initial bid made last year provided for its purchase through a subsidiary of $400m of Commonwealth's stock for cash, common stock and senior secured notes.

The Arab concern would then merge Corco into this subsidiary, as well as invest $50m in the new enterprise in exchange for convertible notes.

As well as deliberating on the Arab offer, the Corco board also approved executive changes, the main one being the election of Mr. Howard Hardesty Jnr. as chairman, president, and chief executive.

Japanese links in Queensland smelter venture

By Paul Cheeseright

FIVE JAPANESE groups have agreed to join with Comalco and Kaiser Aluminium in the development of a new A$ 500m (US$ 575m) aluminium smelter at Gladstone in Queensland.

The smelter will have two potlines and a design capacity of 180,000 tonnes a year, Sir Donald Hibberd, the Comalco chairman, said.

Comalco will have a 30 per cent shareholding in the smelter, while Kaiser will hold 20 per cent. The Japanese groups involved are Sumitomo Light Metal Industries with 17 per cent, and Kobe Steel, Mitsubishi, Yoshida Kogyo and Sumitomo Aluminium Smelting, each with 9.5 per cent.

Dividend passed as losses double at NK-Aahlen

BY WILLIAM DULLFORCE IN STOCKHOLM

NK-AAHLEN, THE Swedish retailing group, plunged further into the red during the financial year ended October 31. The pre-tax loss was almost doubled. The Board proposes to pay no dividend for the second year running on the ordinary shares and to pass the dividend on the preference shares, which received SKr 3.50 each in the previous year.

The preliminary 1977-78 report shows a loss before extraordinary items of SKr 111m ($35.5m) on a turnover of SKr 8.5bn ($1.9bn), compared with a loss of SKr 57m in the previous year. After taking out extraordinary costs of SKr 56m, arising from the merger of NK and Aahlen and including SKr 60m of income from the sale of assets, the pre-tax loss comes out at SKr 107m against SKr 87m.

UK PENDING DIVIDENDS and NEW ISSUES

UK PENDING DIVIDENDS

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
*Alexanders Discount	Jan. 22	Final 8.833
*Allied Textile	Jan. 25	Final 3.980
*Anglia Television	Jan. 17	Final 2.3033
*Assocd. Paper Industries	Jan. 18	Final 1.804
Associated Engineering	Dec. 15	Final 3.42
*BAT Inds.	Jan. 30	Int. 4.4
*Bank Leumi (UK)	Jan. 18	Final 4.884
Bath and Portland	Feb 15	Final 1.798
*Berisford (S. and W.)	Jan. 18	Final 4.75
Birmid Qualcast	Feb. 15	Final 3.107
British Electric Traction	Jan. 19	Int. 1.694
Brown Brothers	Feb 16	Sec. int. 0.5
Brown (J.)	Jan. 27	Int. 4.89 fcst.
Courts (Furnishers)	Jan 17	Int. 1.5565
Dalgety	Feb 15	Int. 6.407
Davy Corpn.	Jan. 24	Int. 3.63
Decca	Feb 8	Int 3.3
Debenture Corpn.	Feb. 16	Final 2.2
*Dixons Photog	Jan 18	Int 0.9075
*Dowty	Feb 7	Int 2.21
Drake and Scull	Feb 14	Final Nil
*Fitch Lovell	Jan 25	Int 1.2778
*Gestetner	Jan 16	Final 2.0344
*Grand Metrop	Jan 18	Final 2.6473
Guinness Peat	Jan 26	Int. 4.25
Hambro Tst.	Jan. 26	Int. 0.65
*Henlys	Jan. 17	Fin. 5.684 fcst.
*Imperial Grp.	Feb 8	Final 3.41
*Inchcape	Jan. 25	Int. 6.0
*Lloyds Bank	Feb. 16	Final 4.938
Lonrho	Jan. 30	Final 4.2212
MFI Furniture Centres	Feb. 14	Int. 1.98
*Magnet and Southerns	Jan. 17	Int. 3.5
Nottingham Manufctrg.	Feb. 12	Final 2.332
*Prop. Security Inv. Trust	Jan. 16	Int. 0.75
*Rank Org.	Jan. 24	Final 5.849
*SGB	Jan. 18	Final 2.754
Smith Inds.	Nov. 8	Final 4.2603
Staflex Inds.	Nov. 9	Int. nil
*Stock Conversion	Jan. 17	Int. 0.99
Sunley (B.) Inv Tst.	Feb. 16	Int. 1.854
*Tate & Lyle	Jan. 24	Final 3.1
*Thorn Electrical	Jan. 12	Int. 2.45
*Throgmorton Trust	Jan. 25	Final 2.375
*Trident Television	Jan 16	Final 1.981
Trust Houses Forte	Feb 8	Final 5.9584
Tunnel Hldgs	Jan 13	Final 2.293
*Union Discount	Jan 24	Final 12.583
United Real Prop. Tst.	Feb 15	Int 1.25
Wagon Finance	Feb 17	Final 2.875

* Board meetings intimated † Rights issue since made. ‡ Tax free § Scrip issue since made from reserves.

BASE LENDING RATES

A.B.N. Bank	12½%
Allied Irish Banks Ltd.	12½%
Amro Bank	12½%
American Express Bk.	12½%
A P Bank Ltd.	12½%
Henry Ansbacher	12½%
Associates Cap. Corp.	12½%
Banco de Bilbao	12½%
Bank of Credit & Cmce.	12½%
Bank of Cyprus	12½%
Bank of N.S.W.	12½%
Banque Belge Ltd.	12½%
Banque du Rhone et de la Tamise S.A.	13 %
Barclays Bank	12½%
Barnett Christie Ltd.	13½%
Bremar Holdings Ltd.	13½%
Brit. Bank of Mid. East	12½%
■ Brown Shipley	12½%
Canada Perm't Trust	12½%
Cayzer Ltd.	12½%
Cedar Holdings	12½%
■ Charterhouse Japhet	12½%
Choulartons	12½%
C. E. Coates	12½%
Consolidated Credits	12½%
Co-operative Bank	*12½%
Corinthian Securities	12½%
Credit Lyonnais	12½%
Duncan Lawrie	12½%
The Cyprus Popular Bk.	12½%
Eagil Trust	12½%
English Transcont.	12½%
First Nat. Fin. Corp.	14 %
First Nat. Secs. Ltd.	14 %
■ Antony Gibbs	12½%
Greyhound Guaranty	12½%
Grindlays Bank	12½%
■ Guinness Mahon	12½%
■ Hambros Bank	12½%
■ Hill Samuel	§12½%
C. Hoare & Co.	†12½%
Julian S. Hodge	13½%
Hongkong & Shanghai	12½%
Industrial Bk. of Scot.	12½%
Keyser Ullmann	12½%
Knowsley & Co. Ltd.	14½%
Lloyds Bank	12½%
London Mercantile	12½%
Edward Manson & Co.	13½%
Midland Bank	12½%
■ Samuel Montagu	12½%
■ Morgan Grenfell	12½%
National Westminster	12½%
Norwich General Trust	12½%
P. S. Refson & Co.	12½%
Rossminster	12½%
Royal Bk. Canada Tst.	12½%
Schlesinger Limited	12½%
E. S. Schwab	13½%
Security Trust Co. Ltd.	13½%
Shenley Trust	14 %
Standard Chartered	12½%
Trade Dev. Bank	12½%
Trustee Savings Bank	12½%
Twentieth Century Bk.	13½%
United Bank of Kuwait	12½%
Whiteaway Laidlaw	13 %
Williams & Glyn's	12½%
Yorkshire Bank	12½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month deposits 10¼%.
† 7-day deposits on sums of £10,000 and under 10%, up to £25,000 10½% and over £25,000 10¾%.
‡ Call deposits over £1,000 10%.
§ Demand deposits 10%.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price p:	+ or −	Div. p. or Amount	Times Covered	Gross Yield	P.E. Ratio
A$0.50	F.P.	—	78	61	Ashton Mining 50c.	79	+1	—	—	—	—
A$125	F.P.	—	106	97	††Aust. Farming A$1.	97	...				
165	F.P.	10/1	178	170	HarrisQueensw'y 20p	178	+3	r7.8	3.1	6.5	7.4
29	F.P.	5/1	31	29	Kitchen Queen 10p.	29½	+½	b1.34	3.4	6.8	4.9
**	F.P.	9/2	34	31	M. Y. Dart Defd.	31	...	—	—	—	—
110	F.P.	17/1	135	115	Mill'tts L's're Shps 20p	129		bd5.7	1.8	6.6	12.4

FIXED INTEREST STOCKS

Issue Price	Am'unt Paid Up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price p:	+ or −
**	F.P.	16/2	109p	108p	Assoc. Dairies 9¾% Pref.	109p	..
¶	F.P.	26/1	100	89¾	Colne Valley Water 8% Red Prf. 1985	101	
‖100p	F.P.	28/12	100½p	99p	Findlay 8% Cnv. Cum. Red. Prf	99p	
‖100p	F.P.	5/1	119	102	Hawley Goodall 12% Cnv. Uns. Ln. '85-88	119	
£1	F.P.	22/12	99p	97½p	Newman Inds. 10¼% Acc. Pref.	97p	
¶	£10	1/3	15¼	15	Mid Kent Water 8% Pref. 1984	15	
‡	Nil	11/1	1½pm	¾pm	Rivington Reed 9½% Cnv. Cum. Red. Pref.	1½pm	
97½p	F.P.	5/1	99p	97½p	Seascope 10¼% Pref	97½p	

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ■	1978/79 High	1978/79 Low	Stock	Closing prices p:	+ or −
60	Nil	19/1	19/2	12pm	7pm	Associated Biscuit	9pm	
17	F.P.	15/12	26/1	20½	19½	Boulton (Wm.)	20½	
305	F.P.	5/1	12/1	122	107	Clifford (Chas.)	122	
45	F.P.	8/12	9/2	55	47	Foster (John)	51	
130	F.P.	5/1	9/2	147	140	Hoskins & Horton	144	
210	F.P.	15/12	12/1	248	242	Lep Group	248	
250	F.P.	3/1	9/2	320	298	Metal Box	316	
55	F.P.	5/1	26/1	16pm	11pm	Milbury	16pm	
10	Nil	22/1	23/2	7½pm	4½pm	Suter Electrical Defd.	6pm	
62	F.P.	18/12	15/1	76	67	Tern Consulate	69	
28	F.P.	10/1	9/2	37	34	York Fine Woollen	37	+2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. r Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ¶ Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

Companies and Markets **CURRENCIES, MONEY and GOLD**

Sterling markets calm

BY COLIN MILLHAM

Sterling came under pressure at the end of last week, as the foreign exchange market grew more concerned about Britain's industrial problems. The pound fell below the $2 level last Thursday for the first time since December 22, and touched $1.9815 on Friday, before closing at $1.9955-1.9965, a fall of 2.90 cents on the week.

The trade-weighted index of sterling, as calculated by the Bank of England, fell to 63.1 on Friday morning, but closed at 63.3, compared with 63.4 on Thursday, and 63.7 on the previous Friday.

On December 15 the pound fell to a low point of $1.9740, and closed at $1.9800. At that time the index stood at 63.2, little different from last Friday's rate, but although the pound's value at mid-January is almost the same as mid-December, the sentiment surrounding the currency is rather different.

In fact the authorities are probably relieved to find sterling so high at a time of such worrying industrial unrest. The Bank of England may have intervened to support the pound during last week, but only on a very small scale, since the rate is still within the range that the authorities wish to see.

Short-term interest rates also show little change in London from about a month ago, with the three-month interbank rate unchanged at around 12⅜ per cent.

The one-month rate was slightly firmer last Friday, at 12¼-12⅜ per cent, compared with 11⅞-12 per cent on December 15, but once again this hardly shows any sign of panic in the City, despite the lorry drivers' strike, the threatened shut-down by Imperial Chemical Industries, and expectations of a rail strike.

Problems concerning the Public Sector Borrowing Requirement, and the future level of inflation, are also very much to the fore, but once again the financial markets appear to be taking a similar view to the Prime Minister, that there is no point in declaring a state of emergency too quickly.

Sterling undoubtedly had a soft undertone towards the latter part of last week, but interest rates were slightly easier than a week before in most cases, and it seems that a quick solution to the industrial problems could produce an equally quick improvement by the pound.

January 12	Special Drawing Rights	European Unit of Account
Sterling	0.647748	0.677530
U.S. dollar	1.28727	1.34784
Canadian dollar	1.52979	1.59805
Austrian schilling	17.5880	18.3511
Belgian franc	37.8595	39.5924
Danish kroner	6.66484	6.96883
Deutsche Mark	2.38844	2.50852
Guilder	2.58359	2.70774
French franc	5.51531	5.76919
Lira	1083.88	1134.97
Yen	254.235	266.257
Norwegian kroner	6.56220	6.83808
Peseta	90.3635	94.4926
Swedish kroner	5.62801	5.88035
Swiss franc	2.18257	2.27772

GOLD

	Jan. 12	Jan. 11
Gold Bullion (a fine ounce)		
Close	$217¼-218¼	$218¾-219¼
Opening	$218-218½	$221½-222¼
Morning fixing	$216.50 (£108.856)	$221.25 (£110.880)
Afternoon fixing	$217.60 (£109.073)	$220.65 (£110.160)
Gold Coins, domestically		
Krugerrand	$230-232 (£115¼-116¼)	$233-235 (£116¾-117¾)
New Sovereigns	$62¾-65¾ (£31½-32½)	$64-66 (£32-33)
Old Sovereigns	$63½-65½ (£31¾-32¾)	$63-65 (£31¾-32¾)
Gold Coins, internationally		
Krugerrand	$224-226 (£112¼-113¼)	$227-229 (£113¾-114¾)
New Sovereigns	$57¾-59¾ (£28¾-29¾)	$58-60 (£29-30)
Old Sovereigns	$63½-65 (£31¾-32¾)	$63-65 (£31¾-32¾)
$20 Eagles	$291-296	$295-300
$10 Eagles	$156-166	$161-166
$5 Eagles	$109-114	$111-116

THE DOLLAR SPOT AND FORWARD

Jan. 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canada†	84.15-84.25	84.16-84.19	0.03-0.05c pm	0.21	0.05-0.08c pm	0.35
Nethlnd.	2.0000-2.0155	2.0000-2.0030	0.42-0.32c pm	2.37	1.31-1.26c pm	2.62
Belgium	29.24-29.43	29.24-29.27	7½-5c pm	2.71	20-18c pm	2.74
Denmark	5.1540-5.1615	5.1540-5.1560	1.25-1.75grodis	−3.15	3.25-3.75grodis	−2.49
W. Ger.	1.8540-1.8645	1.8540-1.8550	1.37-1.27c pm	8.16	3.67-3.57c pm	7.57
Portugal	46.85-47.10	46.90-47.05	28-38c dis	−8.43	60-130c dis	−8.09
Spain	70.10-70.31	70.15-70.20	32-45c dis	−6.36	100-120c dis	−6.19
Italy	838.90-843.00	839.00-839.25	0.25-0.75lire dis	−0.55	1.65-2.40lire dis	−0.95
Norway	5.0660-5.0880	5.0760-5.0780	1.60-1.10ore pm	2.76	2.00-1.50ore pm	1.41
France	4.2500-4.2880	4.2500-4.2550	1.30-1.10c pm	3.54	3.00-2.75c pm	2.83
Sweden	4.3570-4.3725	4.3635-4.3655	1.30-1.10ore pm	3.33	3.45-3.25ore pm	3.13
Japan	197.40-198.20	197.40-197.60	1.75-1.65y pm	9.84	4.75-4.60y pm	9.40
Austria	13.60-13.66	13.62½-13.63½	7-6gro pm	5.55	16-15.50gr pm	4.67
Switz.	1.6787-1.6980	1.6815-1.6845	1.67-1.62c pm	11.27	4.69-4.64c pm	11.05

† U.S. cents per Canadian $.

THE POUND SPOT FORWARD AGAINST £

Jan. 12	Bank rate %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	9½	1.9815-1.9965	1.9955-1.9965	0.42-0.32c pm	2.20	1.18-1.08 c.pm	2.26
Canadian $	11¼	2.3640-2.3765	2.3695-2.3705	0.65-0.55c pm	3.04	1.55-1.45 c.pm	3.53
Guilder	6½	3.98-4.01	3.99-4.00	1⅞-1⅝c pm	5.75	5-4⅝ c.pm	4.50
Belgian F	6	58.20-58.85	58.55-58.65	25-15 c.pm	4.13	75-65 c.pm	4.79
Danish K	8	10.24½-10.30	10.28½-10.29½	1ore pm-1ore dis	−0.29	1-2½ ore dis	−0.48
D mark	5	3.69-3.71½	3.70-3.71	3⅜-2⅜ pf pm	7.92	9⅜-8⅜ pf pm	8.91
Port. Esc.	18	93.00-94.00	93.55-93.85	40-80 c.dis	−7.69	70-250 c. dis	−6.01
Span. Pes.	8	139.10-140.10	139.90-140.10	20-80 c. dis	−4.71	105-205 c. dis	−4.43
Lira	10½	1,664-1,678	1,674-1,675	3 lire pm-par	1.08	7-4 lire pm	1.31
Nrwgn. K.	7	10.08-10.14	10.12½-10.13½	5-3 ore pm	4.74	10½-8½ ore pm	3.75
French Fr.	9½	8.47-8.52	8.48-8.49	4¾-3¾ c.pm	6.01	11-10 c. pm	4.95
Swedish Kr	6½	8.64½-8.72	8.70½-8.71½	4¾-2¾ ore pm	5.16	12½-10½ ore pm	5.28
Yen	3½	389-400	393½-395½	4.25-3.85y pm	12.46	11.65-11.20 y pm	11.60
Austria Sch	4½	27.00-27.25	27.17-27.22	21-12 gro pm	7.30	55-45 gro pm	7.36
Swiss Fr.	1	3.52½-3.55½	3.53½-3.54½	4½-3½ c. pm	13.59	11⅞-10⅞ c. pm	13.94

Belgium rate is for convertible francs. Financial franc 59.50-59.60. Six-month forward dollar 1.95-1.85c pm; 12-month 3.45-3.35c pm.

OTHER MARKETS

Jan. 12	£	$		£ Note Rates
Argentina Peso	2038-2048	1021-1026	Austria	26¾-27¾
Australia Dollar	1.7465-1.7515	0.8770-0.8785	Belgium	59-60
Brazil Cruzeiro	40.99-41.99	20.53-21.03	Denmark	10.21-10.31
Finland Markka	7.92-7.94	3.9800-3.9820	France	8.45-8.55
Greek Drachma	71.765-73.519	35.95-36.85	Germany	3.67-3.77
Hong Kong Dollar	9.46-9.48	4.7400-4.7450	Italy	1,660-1,710
Iran Rial	151.40-159.50	75.00-80.00	Japan	393-399
Kuwait Dinar (KD)	0.537-0.547	0.2741-0.2742	Netherlands	3.95-4.05
Luxembourg Frc.	58.35-58.45	29.24-29.27	Norway	10.05-10.15
Malaysia Dollar	4.4225-4.4350	2.2270-2.2285	Portugal	91-100
New Zealand Dlr.	1.8800-1.8860	0.9445-0.9465	Spain	145-147
Saudi Arab. Riyal	6.54-6.64	3.3225-3.3375	Switzerland	3.30-3.40
Singapore Dollar	4.3225-4.3350	2.1755-2.1765	United States	1.9950-2.0050
Sth. African Rand	1.7109-1.7370	0.8570-0.8700	Yugoslavia	39.5-43.5

Rates given for Argentina is free rate.

EXCHANGE CROSS RATES

Jan. 12	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.996	3.705	394.8	8.485	3.360	3.995	1675.	2.370	58.40
U.S. Dollar	0.501	1.	1.856	197.8	4.251	1.683	2.002	838.9	1.187	29.26
Deutsche mark	0.270	0.539	1.	106.5	2.290	0.907	1.078	452.0	0.640	15.76
Japanese Yen 1,000	2.535	5.056	9.386	1000.	21.49	8.512	10.12	4242.	6.004	147.9
French Franc 10	1.179	2.352	4.367	465.2	10.	3.960	4.708	1973.	2.793	68.83
Swiss Franc	0.298	0.594	1.103	117.5	2.525	1.	1.189	498.4	0.705	17.38
Dutch Guilder	0.250	0.500	0.927	98.81	2.124	0.841	1.	419.1	0.593	14.62
Italian Lira 1,000	0.597	1.192	2.213	235.7	5.067	2.007	2.386	1000.	1.415	34.88
Canadian Dollar	0.422	0.842	1.563	166.6	3.580	1.418	1.686	706.5	1.	24.64
Belgian Franc 100	1.712	3.418	6.344	675.9	14.53	5.753	6.841	2867.	4.058	100.

LONDON MONEY RATES

Jan. 12 1979	Sterling Certificate on deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	2-11	—	—	—	11-11½	4-10¾	—	—	—
2 days notice	—	—	11¼-11½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	11⅝	—	—	—	—
7 days notice	—	11-11⅛	11½-11¾	—	12	—	10⅝-11	—	—	—
One month	12-11⅞	11¾-11⅞	11⅝-11⅞	11⅞-12¼	12⅛	12⅝	11⅝	11⅝	11-[illegible]	12¼
Two months	12[illegible]-12[illegible]	12⅛-12⅜	—	11⅞-12¼	12⅜	—	11⅞	11[illegible]	12[illegible]	12[illegible]
Three months	12[illegible]-12[illegible]	12[illegible]-12⅛	12¼-12⅜	11¾-12⅜	12½	13	12	11[illegible]-11[illegible]	12⅛	12½
Six months	12[illegible]-12[illegible]	12[illegible]-12⅛	12⅛-12⅜	11⅝-12	12½-12⅝	—	—	—	12-12[illegible]	13
Nine months	12[illegible]-12[illegible]	12[illegible]-12[illegible]	—	11⅞-12⅜	12⅝	—	—	—	—	—
One year	12¼-12[illegible]	12¼-12⅜	12-12¼	11⅞-12¼	12⅝	—	—	—	—	—
Two years	—	—	12½-12¾	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rates nominally three years 12⅝-12½ per cent; four years 12¾-12⅞ per cent; five years 12¾-13 per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅛ per cent; four-month trade bills 12¾ per cent.

Approximately selling rates for one-month Treasury bills 11½-11⅞ per cent; two-month 11⅝-11¾ per cent; three months 11⅞-11¾ per cent. Approximate selling rate for one-month bank bills 11⅞ per cent; two-month 11⅞ per cent; and three-month 12-12⅛ per cent; one-month trade bills 12⅛ per cent; two-month 12⅝ per cent; and also three-month 12½ per cent.

Finance House Base Rates (published by the Finance Houses Association) 12½ per cent from January 1 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Rates for lending 12½ per cent. Treasury Bills: Average tender rates of discount 11.7855 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.75
Fed Funds	9.9375
Treasury Bills (13-week)	9.26
Treasury Bills (26-week)	9.44

GERMANY

Discount Rate	3
Overnight rate	3.20
One month	3.575
Three months	3.70
Six months	3.80

FRANCE

Discount Rate	9.5
Overnight	6.875
One month	6.5625
Six months	6.625

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.75
Bills Discount Rate	4.625

INSURANCE

Difficulty of defining what a contract fully represents

BY OUR INSURANCE CORRESPONDENT

WHAT IS a contract of insurance? What a question, you may say, for we all know that it is an agreement whereby the insurer, in consideration of the payment of premium by the insured, undertakes to pay an amount, if a particular event or events occur in which the insured has an insurable interest.

True, but is this all or is there something more? Suppose we belong to a sports club to which we pay our subscriptions, which entitle us to enjoy all the club facilities. But suppose that some of the subscription is earmarked for a special fund, enabling us to come to the club committee for financial protection against claims against us as individual members, for injury or damage, arising out of activities in the course of club membership.

Suppose the club committee has discretion whether or not to afford that protection, though that discretion has never been exercised.

In these circumstances have we, the members, contracts of insurance? Or do we have something less, because ultimately, we have no enforcible legal right to the protection offered by the club rules?

Discretionary basis

This was the cause of a dispute between the Department of Trade and the Medical Defence Union which recently appeared before Mr. Justice Megarry. The union has for nearly 100 years as part of its service provided financial protection against professional negligence claims, but on a discretionary basis only, with no legal obligation resting on the union.

Over the years, the Department of Trade had been content to leave the union to go on its self-regulatory way, but with the passage of the 1974 Insurance Companies Act, the department decided that the union was engaging in the provision of contracts of insurance, so that the department must be entitled to move in, require the union to comply with the provisions of the 1974 Act in respect of its insurance activities.

Nowhere in the 1974 Act is there any legal definition of the phrase "contract of insurance" and so while commonsense *might suggest* that *enforcibility* should be of the essence, the department were fully entitled to argue that if all the other features of a normal insurance arrangement were present then it was immaterial that there was any discretion to pay or not.

The judge ruled in favour of the union and against the department, saying that since the union's legal protection facilities were discretionary, because members had the right not to indemnity, but only to be considered for it, the union was not engaging in insurance and not providing contracts of insurance within the 1974 Act.

Department may appeal

It is not yet certain whether the department will appeal, but surely they ought now let the matter rest. The 1974 Act was designed for the regulation of insurers providing protection for the public and it is unlikely that at any time during its consideration, drafting and passage into law that there was any intention that bodies such as the union, should be caught by the Act's provisions.

The judge's decision if left unappealed, or if affirmed on appeal, does not open the door to the establishment of a multitude of new "insurance" companies outside the Act: for no one buying insurance, be it commercial fire protection, private motor insurance, or personal life assurance will be willing to accept insurers' discretion — which *connotes* the danger of insurers' refusal to pay, when a valid claim is made. The judge's decision is valid only in its narrow context and is solely for the benefit of professional bodies like the MDU who have discretionary professional indemnity schemes or who may now decide to set them up for the protection of their members.

APPOINTMENTS

Senior executive post at BICC

Mr. J. Banks is to be appointed by BICC as managing director, group services, responsible to **Mr. H. G. De Ville**, executive vice-chairman, for BICC Research and Engineering, corporate planning, and group management services. Mr. Banks became chairman of BICC Research and Engineering and a member of the parent Board in July last year.

★

Mr. Robert Piper has been appointed marketing director of the BANKER and has been succeeded by **Mr. Michael Prideaux** as financial advertisement manager of the FINANCIAL TIMES.

★

Mr. D. H. M. Venus has been appointed a director of TAYLOR WOODROW INTERNATIONAL.

★

Mr. A. MacDougall has been appointed managing director, HALL-THERMOTANK with responsibility for the industrial refrigeration and air conditioning companies in the UK and overseas. **Mr. P. W. Ball** has become deputy managing director and **Mr. G. R. Connor** joins the Board. The company is a member of the APV Group.

★

Mr. G. C. D. Jeffreys has been appointed a managing director of SECCOMBE MARSHALL AND CAMPION.

★

The BANK OF AMERICA NT AND SA has made the following appointments to vice president in the Europe, Middle East and Africa Division: **Mr. W. Lynn Rowsell**, Paris; **Claire Taplett**, Bank of America International; **Mr. Roland Ward**, financial planning, London, and **Mr. Samuel M. Zavatti**, Middle East area office. Appointed assistant vice presidents are **Mr. Christopher Iles**, head of EMEA training, London; **Mr. James D. McQuilliams**, Piraeus; **Mr. Hugh Russell**, Paris; **Mr. Dirk G. Teengs**, Rotterdam; and **Mr. George Vautier**, Marseille.

★

Mr. John Edwards has become chief executive of ENERGY EQUIPMENT. His appointment follows the investment recently of £500,000 by the National Enterprise Board in that company.

★

Mr. Jack Harris has been made finance director and **Mr. Andrew Senn**, marketing director, of HERON MOTOR GROUP. Other appointments to member companies are **Mr. Donald Lock** as director, H. R. Owen, **Mr. Michael Petrie**, director, Heron Trucks, and **Mr. Jimmy Kerr**, director, Rossleigh. **M. Brian Hishon** and **Mr. Keith Goodson** have become directors of Heron Fleets. At Heron Leasing, **Mr. Robert Burton** is now marketing manager and **Mr. Hayden Hughes**, administration manager. **Mr. Wilmot Wickramasuriya** and **Mr. Philip Keane** have been appointed by Heron Corporation as assistant directors with group finance functions.

★

Mr. J. H. Robinson has resigned as managing director of WOODHOUSE AND RIXSON (HOLDINGS) and is joining SMITH AND NEPHEW as managing director of the Elastoplast division. **Mr. G. S. Baker**, executive chairman of Woodhouse Rixson, takes over the responsibilities of group managing director.

★

Lord Wyfold has been appointed chairman of UBS in succession to the late Sir Geoffrey Kitchen.

★

Mr. Robert N. Sears, a member of the Board of directors and a senior vice president of PHILLIPS PETROLEUM COMPANY, retires on February 1. On that day, **Mr. Russell L. Howard** becomes a vice president, assuming responsibility for the New York City corporate office, which Mr. Sears has headed since 1962.

★

Mr. J. M. Butler has been appointed chairman, and **Mr. A. C. M. Sigsworth**, chief executive, of IDEAL CASEMENTS (READING).

★

Mr. Peter Seabrook has become a director of ROGER HARVEY.

★

Mr. Brian Cunningham has been appointed deputy managing director of HUGH SMITH (GLASGOW), heavy machine tool manufacturing subsidiary of The Low and Bonar Group. He continues as technical director.

★

Mr. Stanislav Berkieta, head of the products division of CITIBANK'S operating group in the UK, has been appointed a vice president. **Mr. John Vernon** also becomes a vice president. He is head of the merchant banking group's London money market division.

★

Mr. Miles Milling has been appointed marketing director of FAIREY ENGINEERING, a member of the Fairey Holdings group.

★

Mr. Brian J. Spong and **Mr. Ronald C. Trenter** have been appointed to the Board of HOME CHARM.

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	Jan. 12	Jan. 11	Jan. 10	Jan. 9	Jan. 8	Jan. 5	1978-79 High	1978-79 Low	Since Compilat'n High	Since Compilat'n Low
◆Industrials	858.28	828.05	824.93	831.45	828.14	830.75	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	84.11	84.56	84.27	84.49	84.50	84.49	90.89 (4/1/78)	84.11 (12/1/79)	—	—
Transport	217.67	215.48	214.50	218.50	215.01	217.37	261.48 (8/9)	199.61 (3/1/78)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	102.00	101.25	101.22	101.29	101.45	101.33	110.98 (3/1)	97.75 (20/12)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	37,290	24,590	25,080	27,540	21,440	28,360	—	—	—	—

◆ Day's high 843.38 low 830.04

	Jan. 5	Dec. 29	Dec. 22	Year ago approx.
Ind. div. yield %	5.88	6.03	6.00	5.54

STANDARD AND POORS

	Jan. 12	Jan. 11	Jan. 10	Jan. 9	Jan. 8	Jan. 5	1978-79 High	1978-79 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	111.41	110.46	110.82	110.63	110.03	110.48	118.71 (12/9)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	99.93	99.10	98.77	99.55	98.80	99.16	106.99 (12/9)	85.90 (6/3)	125.85 (11/1/63)	4.40 (1/6/32)

	Jan 10	Jan. 3	Dec. 27	Year ago (approx.)
Ind. div. yield %	4.91	5.04	5.10	4.90
Ind. P/E Ratio	8.93	8.84	8.74	9.13
Long Gov. Bond yield	8.98	8.96	8.92	8.02

N.Y.S.E. ALL COMMON

Jan. 12	Jan. 11	Jan. 10	Jan. 9	1978-79 High	1978-79 Low
55.87	55.42	55.25	55.53	60.38 (11/9)	48.37 (6/3)

Rises and Falls

	Jan. 12	Jan. 11	Jan. 10
Issues Traded	1,865	1,859	1,883
Rises	1,204	717	589
Falls	332	658	858
Unchanged	329	484	436
New Highs	—	—	33
New Lows	—	—	9

	Jan. 12	Jan. 11	Jan. 10	Jan. 9	1978-79 High	1978-79 Low
MONTREAL Industrial	229.06	225.84	226.17	226.81	229.06 (12/1/79)	152.98 (16/2)
MONTREAL Combined	233.61	231.91	231.32	232.01	233.61 (12/1/79)	178.62 (30/1)
TORONTO Composite	1389.1	1346.8	1346.6	1348.0	1350.1 (12/1/78)	998.2 (30/1)
JOHANNESBURG Gold	247.9	249.5	249.5	251.1	272.0 (14/8)	186.0 (20/4)
JOHANNESBURG Industrial	283.4	282.1	281.6	278.9	285.4 (12/1/79)	194.9 (13/3)

	Jan. 12	Previous	1978-9 High	1978-9 Low
Australia(¶)	562.90	560.79	566.79 (22/9)	411.19 (1/3)
Belgium (‖)	101.38	101.07	101.38 (12/1/79)	90.43 (23/6)
Denmark(**)	88.27	88.67	98.95 (14/5)	88.08 (30/10)
France (††)	78.6	77.4	83.0 (4/10)	47.6 (3/2)
Germany(‡‡)	837.60	834.10	863.8 (19/10)	769.4 (17/5)
Holland (§§)	84.5	83.4	83.1 (11/9)	76.0 (4/4)
Hong Kong (¶¶)	532.69	528.59	707.70 (4/9)	383.4 (16/4)
Italy (‖‖)	70.19	69.84	82.26 (26/9)	55.45 (10/1)
Japan (a)	459.67	458.38	453.57 (12/1/79)	364.04 (4/10)
Singapore(b)	356.22	357.41	414.60 (8/9)	252.0 (9/1)
Spain (d)	93.03	93.58	93.09 (12/1/79)	93.03 (12/1/79)
Sweden (e)	375.43	374.37	408.00 (4/8)	325.74 (3/1)
Switzerl'd(f)	303.6	300.2	323.7 (14/2)	261.6 (26/9)

Indices and base dates (all base values 100 except NYSE All Common—50; Standards and Poors—10; and Toronto 300—1,000; the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

EUROPE

AMSTERDAM

Jan. 12	Price Fls.	+ or —	Div. %	Yld %
Ahold (Fl.20)	119.80	+3.60	A18	4.7
Akzo (Fl.20)	32.10	+0.90	—	—
Alg'm Bk (Fl 100)	369.00	+2.0	A23½	6.4
AMEV (Fl.10)	94.80	+1.3	50	5.3
Amrob'k (Fl.20)	77.30	+0.80	A23½	6.1
Bijenkorf	89.60	+2.60	26	5.8
BokaW'stm(Fl20)	124	+2	A80	6.5
Buhrm' Tetter'	75	+2.7	26	6.9
Elsevier (Fl20)	300	+11	27.5	1.8
Ennia N.V. B'rer	145.0	+1.0	A37½	5.2
EurComTst(Fl10	65	....	94.5	5.4
Gistal Br'cad (Fl	41.50	...	20	4.9
Heineken (Fl25)	93.30	+0.40	14	3.8
Hoog'ns (Fl.20)	34.30	+0.5	—	—
HunterD.(Fl.100	24	....	1.2	5.0
K.L.M. (Fl.100)	126.00	+3.0	A8	3.4
Int. Muller(Fl.20	48.4	+0.2	19	7.8
Nat.Ned InsFl10	111.70	+2.4	48	4.3
NedCr'dBkFl.20	59.0	+0.7	21	7.1
NedMidBk(Fl.70	203.0	+3.5	22	5.4
Oce (Fl.20)	177.00	+1.5	36	4.1
OGEM (Fl.10)	29.8	+0.1	23	7.8
Van Ommeren	169.0	+4.0	—	—
Pakhoed (Fl.20)	51.00	+1.2	—	—
Philips (Fl.10)	25.50	—0.40	17	6.6
RjnSchVer(Fl100	54	—1.5	—	—
Robeco (Fl.50)	168.50	+2.0	25.6	7.6
Rolinco (Fl.50)	151.50	+1.5	a	—
Rorento (Fl.50)	122.8	+0.3	19.3	3.8
RoyalDutchFl20	136.80	+2.4	53.75	8.5
Slavenburg	245	+3.2	20	8.2
TokyoPac HldsS	127.0	....	30.50	0.6
Unilever (Fl.20)	124.80	+1.2	42.8	6.9
Viking Res.	40.8	+0.5	30.20	1.2
West.Utr. Hypok	423	+1.5	33	3.8

VIENNA

Jan. 12	Price %	+ or —	Div. %	Yld. %
Creditanstalt	342	....	10	2.9
Perlmooser	270	....	9a	3.3
Selecta	577	—3	38	6.5
Semperit	75	—2	—	—
Steyr Daimler	200	—1	8a	4.0
Veit Magnesit	250	+3	10	4.0

BRUSSELS/LUXEMBOURG

Jan. 12	Price Frs.	+ or —	Div. Frs. Net	Yld. %
Arbed	2,375	+60	—	—
Bekaert "B"	2,650	+30	116	4.4
C.B.R. Cement	1,130	+18	100	9.2
Cockerill	502	....	—	—
EBES	2,410	—10	177	7.4
Electrobell	6,700	—40	455	6.5
Fabrique Nat.	3,120	+20	100	5.5
G.B. Inno Bm.	2,560	+25	150	5.9
Gevaert	1,424	—2	85	6.0
GBL (Brux L)	1,670	....	90	5.3
Hoboken	2,790	+105	170	6.1
Intercom.	1,885	+5	142	7.6
Kredietbank	7,150	+30	290	4.1
La Royale Belge	6,200	+10	A325	5.2
Pan Holdings	2,700	....	32.55	2.9
Petrofina	3,595	+55	180	5.0
Soc Gen Banque	3,320	—50	204	6.1
Soc. Gen. Beige	2,080	....	140	6.7
Sofina	3,505	—35	215	6.9
Solvay	2,520	+50	A2.10	8.3
Traction Elect.	2,785	+10	170	6.1
UCB	1,210	+24	—	—
Un Min. (1/10)	770	+24	50	6.5
VieilleM'ntagne	1,720	+40	—	—

COPENHAGEN ♣

Jan. 12	Price Kroner	+ or —	Div. %	Yld. %
Andelsbanken	140	....	11	7.9
Danske Bank	122¾	....	12	9.8
East Asiatic Co.	136¾	—1	12	8.8
Finansbanken	154	....	15	9.7
Bryggerier	524½	....	12	5.7
For Papir	75½	+¼	—	—
Handelsbank	125	....	11	8.8
G Nthn H (Kr80)	285	....	12	3.8
Nord Kabel	174¾	—½	12	6.8
Novoind'stries B	212¾	—¼	8	3.8
Oliefabrik	128	+1¾	—	—
Privatbank	131½	....	12	9.2
Provinsbank	138½	....	11	8.0
Soph.Berensen	358½	....	12	3.3
Superfos	168	+½	12	7.1

GERMANY ♦

Jan. 12	Price Dm.	+ or —	Div. %	Yld. %
AEG	76.5	+0.1	—	—
Allianz Versich.	504	+4	31.2	3.1
BMW	229	....	28.12	6.1
BASF	136.5	—0.5	18.76	6.9
Bayer	137.1	—0.6	18.75	6.8
Bayer.Hypo	304	+1	28.12	4.6
Bay. Vereinsbk.	322	+5	28.12	4.4
Commerzbank	294.0	+0.3	26.56	5.9
Conti Gummi	65.6	+0.1	—	—
Daimler-Benz	324	+2	28.12	4.3
[illegible]				

SPAIN ♥

January 12	Per cent	
Asland	111	— 2
Banco Bilbao	256	— 4
B. Atlantico (1,000)	236	— 3
Banco Central	254	— 6
Banco Exterior	260	—
Banco General	231	—
B. Granada (1,000)	137	—
Banco Hispano	216	—
B. Ind. Cat. (1,000)	165	—
B. Ind. Mediterraneo	184	—
Banco Madrid	211	—
Banco Popular	200	—
B. Santander (250)	285	— 6
B. Urquijo (1,000)	241	— 4
Banco Vizcaya	205	— 2
Banco Zaragozano	216	— 6
Bankunion	140	—
Banus Andalucia	184	—
Babcock Wilcox	25	—
CIC	104	—
Dragados	172	+ 2
Inmobanif	68	— 2
E. I. Aragonesas	30	— 1
Espanola Zinc	97	— 1
Expl. Rio Tinto	43	+ 1
Fecsa (1,000)	40.75	— 1.0
Fenosa (1,000)	54	— 1
Gal. Preciados	37	—
Gr. Velazquez (400)	165	—
Hidrola	56.50	— 0.25
Iberduero	60	+ 1.50
Olarra	51	— 5
Papeleras Reunidas	31.50	— 3.50
Petroliber	110	— 2
Petroleos	148	+ 7
Sarrio Papelera	39	—
Sniace	45	—
Sogefisa	125	—
Telefonica	68	+ 1.25
Torras Hostench	63	—
Tubacex	49	— 2.50
Union Elec.	66.25	— 2.50

STOCKHOLM

Jan. 12	Price Kroner	+ or —	Div. Kr.	Yld. %
AGA AB (Kr. 40)	207	....	5	2.4
Alfa Laval(Kr.50	141	—1	5	3.5
ASEA(Kr.50)	82	—1	5	6.0
AtlasCo'co Kr25	106	—4	6	5.6
Billerud	46.0	—0.5	—	—
Bofors	125	—2	y4	5.5
Cardo	173	—1	5.75	3.2
Cellulosa	256	....	10	4.2
Elet'lux'B'(Kr50	115	+1	5.25	4.6
Erics'on'B'(Kr50	150	+4	5	4.5
Esselte (Free)	295	....	8	2.7
Fagersta	115	—1	4	3.4
[illegible]				

SWITZERLAND ♦

[illegible]

MILAN

[illegible]

OSLO

[illegible]

PARIS

[illegible]

TOKYO ¶

Jan. 15	*Prices Yen	+ or —	Div. %	Yld. %
Asahi Glass	360	+3	14	2.9
Canon	532	+17	12	1.4
Casio	870	—25	25	1.4
Chinon	379	+8	20	1.5
Dai NipponPrint	573	....	18	1.6
Fuji Photo	748	+10	15	1.0
Hitachi	272	+2	12	2.2
Honda Motors	520	—5	18	1.7
House Food	1,060	....	35	1.7
C. Itoh	250	—2	12	1.8
Ito Yokado	1,790	—30	30	0.8
Jaccs	755	+4	13	0.9
J.A.L.	2,810	—10	—	1.4
Kansai Elect.Pw	1,220	—10	10	4.1
Komatsu	381	+1	18	2.4
Kubota	291	+1	15	2.6
Kyoto-Ceramic	3,920	+50	35	0.6
Matsushita Ind.	728	—1	20	1.4
Mitsubishi Bank	340	—5	10	1.5
Mitsubishi He'vy	135	+1	12	4.4
Mitsubishi Corp	434	+2	13	1.5
Mitsui & Co	291	—3	14	2.4
Mitsukoshi	580	+2	20	1.7
Nippon Denso	1,470	+20	15	0.5
Nippon Shinpan	781	—10	12	0.8
Nissan Motors	687	—1	16	1.5
Pioneer	2,080	+30	48	1.2
Sanyo Electric	298	—2	12	2.4
Sekisui Prefab.	941	+3	30	1.5
Shiseido	1,190	+50	20	0.8
Sony	1,740	—20	40	1.4
Taisho Marine	251	+1	11	2.2
Takeda Chem.	553	....	15	1.4
TDK	1,950	—10	30	0.8
Teijin	136	—2	10	2.9
Tokyo Marine	523	—1	11	1.1
TokyoElect Pow	1,090	....	8	4.6
Tokyo Sanyo	574	—5	12	1.6
Toray	176	....	10	2.5
Toshiba Corp.	163	+2	10	3.2
Toyota Motor	889	—2	20	1.4

Source Nikko Securities, Tokyo

HONG KONG

Hong Kong $	Jan. 12	Jan. 5
Amalgamated Rubber	Susp.	Susp.
Cheung Kong	9.60	8.85
China Light & Power	22.20	20.80
Cosmopolitan Prop.	†1.96	[illegible]
Cross Harbour Tunnel	16.75	8.70
[illegible]		

BRAZIL

[illegible]

AUSTRALIA

[illegible]

JOHANNESBURG

[illegible]

CANADA

[illegible]

WALL STREET

NEW YORK

1978-79 High	1978-79 Low	Stock	Jan. 12
39	25	Abbott Labs.	35¼
32	15⅞	AM International	24¼
[illegible]			

INTERNATIONAL BONDS

BY FRANCIS GHILES

Package deal from Bayer

A $200m ten-year issue of bonds with warrants for a prime German industrial name, Bayer, through Deutsche Bank, has effectively re-opened the new issue market for fixed rate dollar denominated bonds after it had been closed for a month.

The warrants can be used to purchase the shares of Bayer over the next ten years at just below the current price of the shares, DM138. Each $1,000 bond will carry detachable warrants, which can be used to buy 13 Bayer shares at DM136 each.

Bayer shares closed in Frankfurt on Friday at DM137.10: thirteen shares would thus have a market value of about DM1,782. At present exchange rates the volume of equity finance implicit in the offering is close to the value of the bonds.

This issue could also provide investors with an opportunity to re-examine the warrant concept and, as Kidder Peabody put it in its weekly comment, "to reflect on the profits that many have missed in the warrant sector." It is too early to gauge the full market reaction but bankers and investors can scarcely ignore this issue in view of the dearth of new paper currently on offer.

Two other issues were announced last weekend, both in the floating rate note sector: one for the Private Investment Company for Asia and the other for the Algerian state, oil and gas company, Sonatrach. This second issue has an interesting feature in that the borrower will pay a split margin over the interbank rate of 1 per cent for the first eight years falling to ¾ per cent for the last four. The PICA notes carry an interest rate of ¼ per cent over Libor for their whole life.

The secondary market in floating rate notes was very active for the second week running. Prices moved ahead although coupon adjustments last week moved renewal rates down by about 7/16 compared with those pertaining at the end of last year. Secondary market prices edged up by about a half point over the week with good two-way business.

In the straights sector, and despite a more active day on Friday due, in part, to a better than feared batch of figures on the U.S. money supply, the week as a whole was dull. As Hill Samuel's telex put it, "traders and institutional salesmen were wearing puzzled and anxious frowns as the normally flickering lights of their dealing desks 'blacked out' on a scale not seen since the Continental Edison disaster of 1965." Investors remain in a quandary, torn between long-term doubts and a rather brighter financial picture in the U.S. last week.

Alternative currencies to the dollar continue to play an important role: this is true of the Deutsche-Mark but also, though to a lesser degree, of the French franc where demand for the Peugeot-Citroen issue is reported to be good and well spread geographically.

Two prime borrowers announced they were floating DM bonds last week. Nippon Telephone and Telegraph is a name that could hardly be improved upon in the eyes of many, while Amex International is also that rare animal, a good U.S. bank name. The coupons on both issues were cut down to 5¼ per cent in two stages for the Amex bond.

Not all investors reacted well to this new level which in many ways was made inevitable by the 5¼ per cent coupon offered the week before on the shorter tranche of the Danish issue.

The performance of the Amex issue in the secondary market will be closely watched as the indicated yield of 5.50 per cent is a solid 75 basis points below that which can be obtained on an outstanding private placement for the same borrower arranged in 1977.

Secondary market trading in straight DM issues picked up in the second half of the week with short term bonds seeing most demand and increasing most in price. Exactly the contrary happened in the German domestic market which was dampened in mid-week by the announcement of a new government bond. The last one, barely two weeks old, has not yet been entirely sold.

Japanese DM convertibles performed very well. Many names have put on up to seven points in the past 10 days: Sharp, which was quoted at 92 on January 4, closed on Friday at 98, having touched 99½ two days before. The strong performance of the Tokyo stock exchange, which reached its all time peak, was the major factor at work.

A DM200m convertible for Kansai Electric was announced, to be arranged by Dresdner Bank. The amount was less than expected because of a disagreement between the borrower, which is Japan's second largest electric utility, and the banks, which would have liked to see a coupon higher than 4 per cent, particularly for such a large convertible. This is the second time in less than a month that coupons on Japanese convertibles have been increased. On both occasions by ¼ of a point.

Other terms for this convertible include a five-year maturity. Kansai shares reached a high of Y1,260 and a low of Y1,030 last year and were quoted last Friday at Y1,230. The conversion rate will be fixed on January 26.

A new issue in Luxembourg francs was announced for the EIB and two new bonds in Swiss francs. The next issue in this sector will be a Sw Fr 100m 15-year issue for the Asian Development Bank through SBC. Meanwhile, Citicorp announced its second Australian dollar issue.

The $40m Osterreichische Kontrollbank floating rate notes, guaranteed by the Austrian Republic and due in July, 1983, are being redeemed ahead of schedule, because of a technicality involving Austrian export financing rules.

The issue will be prepaid on February 13 at a price of 101 per cent, plus accrued interest. The reason for the move lies with the Austrian Export Financing Promotion Act, under which Austria may only guarantee foreign currency borrowings whose interest cost does not exceed by more than 5 per cent the averages of the official discount rates in the main OECD economies.

The bank has two other outstanding FRN's, and it is not immediately clear whether these issues will be affected as well.

BONDTRADE INDEX AND YIELD

	January 12		January 5		1979 High	1979 Low
Medium term	94.41	8.65	94.48	8.63	94.61 (2/1)	94.40 (11/1)
Long term	88.98	9.42	89.19	9.37	89.45 (2/1)	88.86 (11/1)

EUROBOND TURNOVER
(nominal value in $m)

	U.S. dollar bonds last week	U.S. dollar bonds previous week	Other bonds last week	Other bonds previous week
Euroclear	1,045.1	478.3*	359.1	239.5*
Cedel	414.0	411.0*	304.1	187.7*

* Four-day week

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡†Pemex	100	1984	5	7⊕	100	CCF, Man. Hanover Ltd.	7.12⊕
‡††Norway	150	1984	5	9⅞	99½	Kuhn, Loeb, Lehman Bros.	10.12
†Sonatrach	50	1991	9½	7½⊕	100	Dillon Read Overseas	7.64⊕
‡†Private Investment for Asia	20	1986	7	7⊕	100	Baring Brothers	7.12⊕
Bayer Int. Finance NV	200	1989	10	7¼	100	Deutsche Bank	7.25
D-MARKS							
American Express Int. Bank Corp.	70	1987	8	5¼	100	Dresdner Bank	5.50
Denmark	100	1985	6	5¼	*	WestLB	*
Denmark	100	1989	10	6¼	*	WestLB	*
**New Zealand	100	1986	7	6	99½	Commerzbank	6.14
Nippon Telephone & Tlgrph (g'teed Japan)	100	1987	8	5¼	99¼	Deutsche Bank	5.58
§Kansai Electric	150	1984	—	4	100	Dresdner Bank	*
FRENCH FRANCS							
Peugeot-Citroen	150	1987	6.66	9¾	*	Lazard Frerès et Cie, Societe Generale	*
SWISS FRANCS							
‡Sainte-Foy	8	1989	n.a.	4½	100	Banque Gutzwiller, Kurz, Bungener	4.5
‡New Zealand	120	1994	n.a.	3½	99	Credit Suisse	3.58
LUXEMBOURG FRANCS							
‡EIB	600	1991	10	8	100½	Banque Generale du Luxembourg	7.97
AUSTRALIAN DOLLARS							
Citicorp	15	1984	5	11	*	Crédit Suisse First Boston	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ⊕ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund.
Note: Yields are calculated on AIBD basis.

FORFAITING

BY JOHN EVANS

Discounting with a difference

THE CURRENT banking dispute due before the British High Court over alleged non-payment of bills of exchange worth DM 26m has focused attention on the system of "forfaiting" employed in many international trade transactions.

Forfaiting—the loose British equivalent is the discounting of trade bills—is still unfamiliar outside continental Europe, particularly Switzerland and Germany where it has its origins.

It denotes the purchase of obligations falling due at some future date, arising from the deliveries of goods and services by an exporter—but without claim on any previous holder of the obligation.

This is where te practice in the forfaiting market departs from that in the London money markets, where the various classes of bills do allow recourse to or claims on the various banks which have endorsed them as part of their trade financing operations.

In forfaiting, the seller of the claim protects himself from any recourse by including the words "without recourse" in the endorsement. The seller of a "forfaitable" instrument — typically a bill of exchange or promissory note — is usually an exporter who has accepted it in payment and who wishes to pass all risk and responsibilities for collection to the forfaiter in exchange for immediate cash payment.

Unless the importer is of first-class quality, the forfaited debt must carry a security. This should be in the form of an "aval" or an unconditional and irrevocable bank guarantee.

Specialists in forfaiting stress that the fulfilment of this condition is of the utmost importance in view of the non-recourse aspect of the business.

In forfaiting, the other main difference from London techniques is that medium-term maturities of up to five years are available.

London bills are classically "sight" instruments and bills of 90 to 180 days' duration.

Reflecting its European origins, forfaiting is usually carried out in Deutsche-marks, Swiss francs or alternatively U.S. dollars. Where forfaiting facilities are extended in London, the system is usually regarded as a part of the Euro-currency markets rather than the sterling-based trade finance markets.

Forfaiting is still little used by British exporters, although there has been growth in specific areas.

The UK Export Credits Guarantee Department no longer extends fixed-rate supplier credits in the European Economic Community. However, by employing forfaiting, a UK exporter can still obtain such credits for use elsewhere in Europe.

Finanz AG in London, a subsidiary of Switzerland's Credit Suisse, which is active in forfaiting, says the technique offers exporters several advantages.

It relieves the exporter's balance sheet of contingent liabilities, and improves liquidity. Taken together, these two factors increases the exporter's borrowing capacity.

Finanz AG adds, however: "In times of adverse market conditions, the disadvantage lies in the occasionally relatively high financing costs which are due to the assumption by the forfaiter of the totality of these risks."

INDICATED CONDITIONS FOR FORFAITING

Debtor Country	Maturity (years)	SwFrs (per cent per annum)	$U.S. (per cent per annum)	DM (per cent per annum)
Britain ...	5	4½	10½	5¼
France ...	6	4	10	5¼
U.S.	6	4	10	5¼
Japan	6	4	9¾	5¼
China	5	4½	10	5¼
Brazil	5	5½	11	7¼

The above rates of discount reflect terms for the purchase of medium-term trade paper for various representative importing countries.

Source: Finanz AG Zurich.

U.S. BONDS

BY JOHN WYLES

Money supply too true to be good

THE LATEST money supply statistics published by the Federal Reserve Board on Thursday brought such splutters of disbelief from some Wall Street economists that the Fed was forced to issue a denial on Friday that the figures were inaccurate and that it planned to correct them.

Forecasting the money supply is at best a hazardous enterprise but some economists were left with more egg on their faces than usual because of projections they made earlier in the week of an expected bulge of up to $5bn when M1 appeared unchanged and M2 up a modest $500m. The bond markets staged a gentle rally which halted the declining trend of the previous three days.

But Friday saw the mood change, bringing with it news that unemployment had risen insignificantly in December and that therefore the economy was still showing no signs of stalling under the impact of high interest rates.

By the end of the week yields on three month commercial paper had slipped slightly to 10.35 per cent, according to Salomon Brothers while six month Treasuries had climbed six basis points to 9.44 per cent and six month certificates of deposit were barely changed at 11.25 per cent. Long-term Treasury prices fell by up to ⅛ and corporates up to ⅛.

Trading down

Anticipation that after two months of extremely slow money supply growth, the figures were about to take a turn for the worse and dampened most of the week's trading up to Thursday afternoon. Evidence that the money supply curve is still flat "poses a rather intriguing mystery in view of the economic strength in the closing months of 1978," says Mr. Henry Kaufman of Salomon Brothers.

He notes that the combination of economic strength and no movement in the money supply should have produced sufficient pressure in the credit markets to push the Fed funds rate out of the relatively narrow range of 9¾ to 10 per cent. But he is reluctant at this stage to commit himself to any particular explanation. Whatever the reasons for the current phenomenon, Mr. William Miller, the chairman of the Fed, made it clear this week that present levels of inflation argue for continued austerity on the credit front.

Five-year note

Clearly this does not point to significantly lower interest rates in the near future. The climb to present levels has so dampened down foreign bond sales in the U.S. that one of the most interesting issues of last week was the $150m of five years notes from the Kingdom of Norway.

The first true Yankee issue (Canadian bonds technically do not count) in four months, the pricing was a vigorous reminder of the times. Norway sold $150m of five year notes in the U.S. last June at a yield of 8.85 per cent. But to ensure strong investor demand this week the yield was jacked up to 9.879 per cent on a semi-annual basis.

According to Morgan Guaranty some $5.689bn of foreign bonds, including Canadian, were sold in the U.S. last year compared to $7.42bn in 1977 and $10.6bn in 1976.

Sales decline

The decline was almost entirely due to a slump in issues by international organisations—$459m against $1.9bn—who withdrew from the U.S. market either because of relatively high interest rates or to avoid putting more pressure on the debilitated dollar.

Meanwhile, trading this week may draw some initial support from the oil workers settlement in line with the President's anti-inflation guidelines. New issues are expected to include $150m of 30 year bonds from the Bell Telephone Company of Pennsylvania and some $370m of an assortment of municipal bonds.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services, SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Dellted Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on January 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Age Akt. 9⅝ 88	25	94	94½	+0¼	0	10.21
Australia 8.45 83	175	96¾	96¾	−0⅛	−0⅛	9.37
Australia 9⅝ 93	75	97⅛	97⅝	+0⅛	−0⅛	9.88
Beatrice Foods 7⅝ 83	100	93	93½	0	+0⅛	9.72
CECA 8⅞ 87	50	95⅛	95⅝	+0⅛	+0⅛	9.69
CECA 9 83	25	98⅛	98½	0	0	9.53
CECA 9⅝ 98	25	97⅛	98⅛	0	−0⅛	9.46
CECA 9⅝ 84-99	50	96	96½	+0⅛	+0⅛	9.78
CNT 9 83	75	94	94½	+0¼	−0⅛	9.75
Canada 8 83	250	93⅛	94⅛	+0⅛	0	9.86
Canada 8.20 85	250	92⅛	93⅛	+0⅛	0	9.64
Canada 9 83	400	97⅛	98	+0⅛	+0⅛	9.62
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Rank O/S Hold. 11½ AS	12	85	86	0	−0⅛	12.83
Auto Cote B. 7 93 EUA	16	95	96	0	−0⅛	7.51
Copenhagen 7 93 EUA	30	94⅛	95⅛	−0⅛	−0⅛	7.56
Finland Ind. 7 93 EUA	15	95	96	−0⅛	−0⅛	7.6
Komm. Inst. 7½ 93 EUA	15	[illegible]	9[illegible]	+0⅛	+0⅛	7.70
Panama 8½ 93 EUA	20	[illegible]	96⅛	0	0	8.70
SDR France 7 93 EUA	22	93⅛	97⅛	−0⅛	−0⅛	7.37
Algemene Bk. 6½ 83 Fl	75	94⅛	95⅛	+0⅛	+1⅛	7.65
Brazil 7½ 83 Fl	75	94⅛	[illegible]	0	+0⅛	[illegible]
CFE Mexico 7⅛ 83 Fl	75	97⅛	97⅝	+0⅛	+0⅛	8.41
EIB 7⅛ 85 Fl	75	94	9[illegible]	+0⅛	+0⅛	8.26
Neder. Midd. 6⅝ 83 Fl	75	93⅛	94⅛	0	−0⅛	8.24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marudai Food 3½ DM	2/79	1033	102½	103½	−1⅛	11.88
Murata M. 3½ 88 DM	11/78	854	109⅝	110⅝	−1⅛	−4.79
Nipp. Air. 3.5 88 DM	12/78	508	90½	91½	−0⅛	5.74
Nippon Shmpn. 3¾ DM	8/78	738	113⅛	114⅛	−0⅛	4.27
Nippon Yen. 3½ 85 DM	1/79	251	96⅛	96⅞	−0⅛	3.78
Nissan Diesl. 3½ 86 DM	2/79	477	95⅛	96⅛	+0⅛	9.12
Olymp. Opt. 3½ 85 DM	2/78	703	107⅛	108⅛	+0⅛	−2.99
Ricoh 3½ 86 DM	10/78	617	103⅛	104⅛	0	13.38
Sanyo Electric 3½ DM	11/78	295	95⅞	96⅞	+0⅛	1.32
Seiyu Strs. 3¾ 88 DM	9/78	1275	111⅛	112⅛	−0⅛	−2.18
Sharp Co. 3½ 88 DM	2/79	487	97⅛	98⅛	−1⅛	−4.81
Stanley Elec. 3½ DM	11/78	623	94⅛	95⅛	+0⅛	13.53
Tokyo Elec. 3½ 87 DM	4/79	476	97⅛	98⅛	−0⅛	1.02
Trio Knwd. 3½ 88 DM	11/78	711	90⅛	91⅛	+0⅛	18.25

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M = Minimum coupon. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

Abbey Gilt Int. Tst.	96.0	0.1	.....	3.47
Abbey Capital	34.6	36.8	.....	4.37
Abbey Income	41.2	43.8	.....	6.23
Abbey Inv. Tst. Fd.	35.6	37.9	.....	4.76
Abbey Gen. Tst.	46.9	49.9	-0.1	4.39
Equitas Prog. Tst.	64.5	71.2	+0.1	4.66

Allied Hambro Group (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	68.3	73.1	-0.1	5.54
Brit. Inds. Fund	64.6	69.1	-0.1	5.64
Grth. & Inc.	36.8	39.4xd	-0.1	5.71
Elect. & Ind. Dev.	35.3	37.8	.....	4.76
Allied Capital	70.1	75.0	.....	4.83
Hambro Fund	108.7	116.3	-0.1	5.37
Hambro Acc. Fd.	124.3	133.0	-0.2	4.93
Income Funds				
High Yield Fd.	73.9	79.1	-0.3	8.22
High Income	67.6	72.3	-0.2	6.98
A. H. Eq. Inc.	39.4	42.2xd	-0.1	7.27
International Funds				
International	26.8	28.7	+0.2	2.37
Pacific Fund	45.3	48.5xd	-0.1	1.84
Secs. Of America	54.2	58.0	+0.6	1.99
Specialist Funds				
Smaller Co.'s Fd.	37.6	40.2xd	.....	4.73
2nd Smlr. Co's Fd.	49.7	53.2	.....	4.47
Recovery Sits.	98.3	105.2	-0.2	5.23
Met. Min. & C'dty.	41.5	44.4	.....	5.16
Overseas Earnings	58.6	62.7xd	.....	4.63
Exempt Funds				
Far East Exempt	48.5	50.5	+0.5	1.98
Smaller Co Exempt	61.6	64.8	-0.1	5.02
U.S.A. Exempt	96.0	100.0	+0.8	2.20

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U T	50.7	54.7	.....	5.08

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-623 6376

Inc. Monthly Fund	165	175	.....	9.66

Framlington Unit Mgt. Ltd. (a)
5-7 Ireland Yard, EC4B 5DH. 01-248 6971

American	47.4	51.2	.....	1.09
Capital Tst.	137.2	145.8	.....	3.92
Income Tst.	110.2	117.2xd	.....	7.53
Int. Growth Fd.	118.8	126.2	+2.8	2.08
Do. Accum.	123.4	131.2	.....	2.08

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Uts	44.7	47.8	-0.1	4.56
Do. Accum.	59.0	63.1	-0.1	4.56

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Inc.	83.5	88.8	+0.3	3.40
Do. Acc.	101.0	107.4	+0.2	3.40
G.T. Inc. Fd. Un.	158.4	168.5	-3.6	8.60
G.T. U.S. & Gen.	126.9	135.0	+0.7	3.10
G.T. Japan & Gen.	91.6	96.6	+1.7	1.70
♦G.T. Pens. Ex. Fd.	148.5	155.9	.....	3.40
G.T. Int'l. Fund	152.4	162.1	+1.5	2.10
G.T. Four YdsFd.	54.3	57.7	.....	7.60
G.T. Far East & Gen	46.5	50.0	.....	2.00

G. & A. Trust (a)(g)
5 Rayleigh Road, Brentwood (0277) 227300

G. & A.	33.5	35.8	.....	5.14

Gartmore Fund Managers♥ (a)(g)
2 St. Mary Axe, EC3A 8BP 01-283 3531

American Tst.	26.0	28.0xd	+0.4	0.20
British Tst. (Acc.)	57.2	61.5	.....	3.53
Commodity Share	154.2	165.8xd	+1.1	4.15
Extra Income Tst.	25.4	27.3	-0.1	8.51
Far East Trust	36.3	39.0	+0.1	0.35
High Income Tst.	61.5	66.1	-0.1	8.94
Income Fund	75.7	81.4	-0.1	6.89
Ins. Agencies	14.27	15.08xd	+0.35	3.85
Intl. Exempt Fd.	90.0	97.1	-0.1	7.10
Intl. Tst. (Acc.)	31.6	34.0	+0.3	0.74

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)
3 Frederick's Pl., Old Jewry, EC2 01-588 4111

Extra Income	30.1	32.7	-0.1	10.60
Income	43.6	46.9	.....	8.80
Accumulation	66.3	72.8	-0.7	2.20
Growth††	40.4	43.5	-0.1	4.10
Capital	43.4	46.7	-0.3	4.50
Small Co's	33.9	43.8	.....	4.90
Technology	60.1	66.0	-0.8	4.00
Private	35.9	38.7	-0.1	4.50

Emson & Dudley Tst. Mngmnt. Ltd.
20, Arlington St., S.W.1. 01-499 7551

Emson Dudley Tst.	68.3	73.4	.....	7.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	67.6	71.1	-0.1	4.34

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow 041-204 1321

J. Finlay Internat'l	23.5	25.3	.....	2.09
Accum. Units	27.9	30.0	.....	2.09
J. Finlay Income	36.4	39.1	.....	8.37
J. Finlay Euro.Fin.	27.0	29.0	.....	3.37
Accum. Units	32.0	34.4	.....	3.36
J. Finlay Fd. In. Tst.	28.0	30.1	.....	4.26
Accum. Units	32.6	35.1	.....	4.26

Prices on Jan. 10. Next dealing Jan. 17.

Midland Bank Group Unit Trust Managers Ltd.♥ (a)
Courtwood House, Silver Street, Head, Sheffield, S1 3RD. Tel: 0742 79842

Commodity & Gen.	67.5	73.8	-0.1	5.31
Do. Accum.	79.8	87.2	-0.1	5.31
Growth	36.9	39.7xd	+0.2	3.36
Do. Accum.	40.0	43.0	+0.2	3.36
Capital	26.3	28.3xd	+0.1	3.94
Do. Accum.	29.0	31.2	+0.1	3.94
Income	52.6	56.6	-0.2	6.96
Do. Accum.	61.4	66.1	-0.1	6.96
International	44.6	48.0xd	+0.3	2.50
Do. Accum.	47.9	51.5	+0.4	2.50
High Yield	63.2	68.0	-0.1	8.58
Do. Accum.	68.9	74.2	-0.2	8.58
Equity Exempt*	107.4	113.3	.....	5.56
Do. Accum.*	107.4	113.3	.....	5.56
Japan & Pacific	49.4	52.6	+0.2	0.86
Do. Accum.	49.4	52.6	+0.2	0.86

*Prices at Jan. 5. Next dealing Jan. 12.

CORAL INDEX: Close 472-477

INSURANCE BASE RATES

†Property Growth	12%
†Vanbrugh Guaranteed	11%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

International Pacific Inv. Mgmt. Ltd.
P.O. Box R237, 56, Pitt St., Sydney, Aust.

Javelin Equity Tst.	$A2.38	2.50xd	+0.03	—

J.E.T. Managers (Jersey) Ltd.
P.O. Box 98, Channel House, Jersey. 0534 73673

Jersey Extrnl. Tst.	167.0	177.0	.....	—

As at Dec. 29. Next sub. day Jan. 31.

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$291.89	.....	2.60
Jardine J'pn. Fd.*	HK$414.73	.....	0.80
Jardine S.E.A.	$US16.66	.....	2.10
Jardine Flem. Int.	HK$11.92	.....	—
Intl. Pac. Secs. (Inc.)	HK$13.38	.....	—
Do. (Accum.)	HK$13.54	.....	—

NAV Dec. 29. *Equivalent $US86.44. Next sub. day January 15.

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2. 01-600 4555

Cnv. Int. Jan. 11	$US9.58		-0.04	—
Eng. Int. Jan. 11	$US18.41		+0.07	—
Gr. St. $Fd. Dec. 29	$US7.68		.....	—
Merc. Ebd. Jan. 3	$US10.32	10.44	.....	0.2996
MercMnyMkt. Jan. 8	£10.26	10.27	.....	—

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. C1 0534 73741

CMF Ltd. Dec. 28	$US14.25	14.61	.....	—
CNT Ltd. Dec. 28	£14.25	14.62	.....	—
Metals Tst. Dec. 21	£13.17	13.49	.....	0.47
TMT Dec. 14	$US10.99	10.66	.....	—
T.M.T. Ltd. Dec. 14	£10.28	10.55	.....	—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg

Worldwide Gth. Fd.	$US15.24	-0.02	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

The Civil Service comes under scrutiny

BY PAUL TAYLOR

THE HOUSE of Commons will today debate the merits of the more radical changes to the structure and working of the Civil Service and its relationship to Government and Parliament proposed by a committee of backbench MPs.

The public image of the Civil Service as some form of monolithic and bureaucratic monster beyond the control of MPs and Ministers is both widely held and potent. However, this unfortunate role in which the Civil Service and therefore the 500,000 non-industrial civil servants — is often cast depends more for its existence on continued repetition rather than on detailed scrutiny. For this reason the full scale Parliamentary debate on the service—the first for more than 30 years with the exception of the debate on the Fulton Report in 1968—is welcomed by both Government and the service as a chance to correct misapprehensions.

The Government for its part will attempt to rectify the Civil Service's image while also justifying its own decision to opt for a considered pace of change in the relationship between Parliament, Government and the service rather than rush into the *more radical approach sought by* some MPs on both sides of the House.

The level of public expenditure handled by the service, currently about £42bn a year, and the underlying public and Parliamentary suspicion of both Government and Civil Service should ensure a lively debate. When the influential Commons Expenditure Committee, under the chairmanship of Mr. Michael English, MP, published its 11th report in September, 1977, it was the first time for 104 years that a Commons Select Committee had investigated the service as a whole.

In spite of the widely publicised minority report prepared by Mr. Brian Sedgemore, MP, notorious for its extreme language—it referred to "reactionaries" and a "Vichy mentality" in the Civil Service—the over-riding concern expressed by the committee was a fear that the service had outgrown Parliament and was capable of usurping the power of MPs and the Government.

The central issues raised by the committee were ones of financial and political accountability, managerial efficiency and the way Whitehall worked.

Since the publication of the report the Government has gone a long way to accepting and implementing many of the recommendations, particularly in the areas of efficiency and financial control, recruitment and training. Of the 54 recommendations made by the committee, 34 have been partly or wholly accepted, 11 were rejected and the remainder are still under consideration.

Mr. Michael English, MP, chairman of the Commons Expenditure Committee.

Misconceptions

Government Ministers and senior civil servants accept that the image of the service as an all powerful bureaucracy is both widely held and is even understandable. However they consider such a view is based on a series of misconceptions. They argue that far from being a single unit the Service—divided as it is into departments with separate political masters—is a relatively amorphous body which responds and advises but has no central political will of its own.

As evidence they point to such cases as the well publicised debate about the abolition of Vehicle Excise Duty when Ministers were at loggerheads with each other and so were Department officials.

It is the "creative tension" between Ministers with political objectives and civil servants with administrative duties which it is claimed, was misinterpreted by the committee as the domination of Ministers by the service, and which has led to the so called "conspiracy myth" which holds that Ministers' intentions are frustrated by "the mandarins."

It is accepted however, by both government and the Civil Service, that on occasions political expediency may conflict with efficient management: as shown in the growing proliferation of complex Supplementary Benefits.

There is also a feeling within Whitehall that some of the more fundamental changes sought by the committee were based on an unspoken hankering by some MPs for a U.S.-style congressional committee system to investigate the action of government. This is perhaps highlighted by the committee's *suggestion* that special backbench committees should be set up to monitor the performance of individual departments and make civil servants accountable to the public for the performance of their administrative task.

However, the Government suggests that parallels between the U.S. and UK systems are inappropriate because the U.S. system does not feature the doctrine of ministerial responsibility.

The Government in its White Paper reply to the English committee report was based on the assumption that the country is best served by a non-political service under the close scrutiny *of the Government. It also* drew the distinction between the responsibility of the service to the Government and that of the Government, through Ministers, to Parliament. Any extension of the accountability of civil servants, it was argued, must take account of the over-riding responsibility of departmental Ministers for the work and efficiency of their departments.

This was regarded by the committee in its 12th report as an implicit rejection of its proposals. However, the question of Parliamentary committee structure has been examined by the House Select Committee on Procedure. Although the report has not yet been published there are signs that neither the Government nor the service would be totally opposed to revamping the committee structure to give backbenchers greater access to Ministers provided the committees did not review legislation, did not proliferate and did not result in too much overstretching of *ministerial workloads.*

The English committee report was prefaced by the comment that the recommendations were designed to "help the Civil Service do a good job better." However following the publication of the White Paper the committee responded saying "we believe that our Report made a modest and reasoned attempt to increase the accountability of the Executive to the House of Commons and we regret it did not receive a more *favourable response.*"

In answer to the critics, Mr. Charles Morris, Civil Service Minister, is likely to argue that the pace of change in the relationship between Parliament and the Executive depends not only on whether such changes are desirable but also on the de-stabilising effects of rapid change.

To argue, as the committee did in its 12th report, that the Government has neatly sidestepped the fundamental and most controversial proposals is both obvious and true though perhaps a little unfair because clearly the more fundamental changes demand lengthier consideration. The Government is faced with a series of difficult decisions. To do nothing would merely reinforce the belief, perhaps held more strongly within the Left wing of the Labour Party, that the service is capable of wagging its master's tail.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Toy Fair (01-226 6655) (until Jan. 17)	Exhibition Centre, Harrogate
Current	Stationery Industry Exhibition—STATINDEX (01-580 9256) (until Jan. 17)	Grosvenor House, W1
Jan. 16—18	Micro-Electronics for the TV Industry—TV-MEX (01-486 1951)	National Exhibition Centre, Birmingham
Jan. 16—18	International Domestic Electric Appliances Exbn. —IDEA (01-486 1951)	National Exhibition Centre, Birmingham
Jan. 28—Feb. 1	Lightshow '79 (0248 58396)	Olympia
Feb. 6—8	London Catering Fair (0428 52785)	New Horticultural Hall
Feb. 8—10	Cruft's Dog Show (01-493 6651)	Earls Court
Feb. 13—15	Catering, Licensed Trade, Hotel and Club Exbn. (0202 21812)	Falcon Rooms
Feb. 18—22	International Men's and Boy's Wear Exhibition IMBEX (021-705 6707)	Olympia
Feb. 19—22	Photography at Work Exhibition (01-688 7788)	Wembley Conference Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Jan. 18—21	Intl. Trade Fair, Motor Workshop and Gasoline Station Equipment—AUTO-ZUM	Salzburg
Jan. 20—28	International Boat Show—BOOT (01-409 0956)	Dusseldorf
Jan. 22—27	International Audiovisual & Communications Show	Paris
Jan. 28—Feb. 2	Internatl. Sweets and Biscuits Fair (01-409 0956)	Cologne
Feb. 6—9	AIRMEC 79—The Aircraft Maintenance Men's Exbn. (St. Albans 63213)	Zurich
Feb. 10—16	International Toy Exhibition (01-439 3964)	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Current	RRG: Risk Management in Practice—Study Course (01-236 2175) (until Jan. 19)	Tower Hotel, E1
Current	IPM: Advanced Interviewing and Assessment Skills (01-387 2844) (until Jan. 19)	Highgate House, Creaton, Northampton
Current	Bradford University: Group and Personal Effectiveness: Skill with People (Bradford 42299) (until Jan. 19)	Management Centre, Bradford
Current	Bradford University: Managing Management Development (Bradford 42299) (until Jan. 19)	Heaton Mount, Bradford
Jan. 15—16	Philip Thorn Associates: Legal and Banking Environment for Foreign Banks in U.S. (Guildford 71986)	Café Royal, W1
Jan. 16	IPS: Industrial Fasteners—How to get value for money (Ascot 23711)	Kensington Close Hotel, W8
Jan. 16—17	CCC: Expediting Successful Claims in Construction (01-222 6362)	Europa Hotel, W1
Jan. 16—17	ASM: Practical Aspects of Work Study—Method Study and Work Measurement (01-385 1892)	RAC Club, SW1
Jan. 17	The Henley Centre for Forecasting: Forecasts for Corporate Plans to 1984 (01-251 3841)	Carlton Tower, SW1
Jan. 18	GAEC: Export Finance, Export Services and the Agricultural Exporter (01-245 9819)	Carlton Tower, SW1
Jan. 18	David Casey Associates: Management and the Law Today (01-571 5638)	Holiday Inn, Langley
Jan. 18	Building Advisory Service: Future Overseas Markets for Construction and Components Eastern Europe, South Korea and South America (01-636 2862)	Cavendish Centre, W1
Jan. 18	AGB: The Discrimination Laws—Opportunities, Pay and Pensions (01-353 3651)	Café Royal, W1
Jan. 18—19	Brunel Institute: Inter-Personal Effectiveness Workshop (Uxbridge 56461)	Brunel University, Uxbridge
Jan. 18—23	Textile Institute: Annual Conference: Cotton in a Competitive World (061-834 8457)	New Delhi
Jan. 22—23	Institute of Offshore Engineering: Risk Analysis of Offshore Installations (031-449 5111)	Heriot-Watt University
Jan. 22—23	ESC: 1979 Finance Directors Conference (057 282 2711)	Royal Garden Hotel, W8
Jan. 22—26	Ashridge Management College: The Essentials of Management Accounting (044 284 3491)	Ashridge College, Berkhamsted
Jan. 22—26	Institute of Personnel Management: The Elements of Salary Administration (01-387 2844)	Whites Hotel, W2
Jan. 23	Oyez-IBC: Presenting 1978/1979 Accounts—The options available (01-242 2481)	Europa Hotel, W1
Jan. 23	Inbucon: National Policy and Pay Re-structuring (01-584 6171)	Dorchester Hotel, W1
Jan. 23	IPS: Improving Importing Procedures—for Profit (0990 23711)	Sudbury House, EC1
Jan. 25	The Henley Centre for Forecasting: Investment Markets: Forecasts to 1984	Carlton Tower Hotel, SW1
Jan. 29	Investment and Property Studies: The Advantages of Unlimited Companies for the Professional Practice (01-242 2481)	Royal Lancaster Hotel, W2
Jan. 29—Feb. 1	IPM: Foundations of Good Industrial Relations (01-387 2844)	Whites Hotel, W2
Jan. 30	Executant Conferences: Product Liability (0494 33171)	Bull Hotel, Gerrards Cross
Jan. 30—31	FT Conference: Business in the Gulf (01-236 4382)	Grosvenor House, W1

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals.

TODAY

COMPANY MEETINGS—
Trafalgar House, 1—23 St Mary Axe, E.C., 11.30
"W" Ribbons, The Elizabeth Suite, Barrington House, 59-67 Gresham Street, E.C., 12

BOARD MEETINGS—
Finals:
Great Northern Inv Trust
Jitra Rubber Plantations
Moggitt Hldgs
Norfolk Capital Gp
Interims:
Highgate Optical and Ind.
Howard Shuttering
Regional Properties
Restmor

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Corpn 6¼pc Db. 1992-94 3⅛pc 5½pcDb. 1980-5 2¾pc 5½pcDb. 1993-95 2¾pc
Anglo American Secs. Ln 2pc
Assoc. Elec. Inds. Db. 3¼pc
Assoc. Paper Inds. Ln. 4¼pc
Bell Canada 114 cents
Broadstone Inv. Tst. 5pcPf. 1.75pc 5½pc Pf. 1.925pc
Camden 12½pc Red 1986 £3.5467
City Offices 4½pcPf 1.575pc
Corporation of London 6½pc 1980-82 3¼pc
Cosalt Ln. 5pc
Edinburgh Inv Tst Dbs 1½ 2¼pc
Fluor Corpn 55 cents
Funding 5½pc 1982-84 2¾pc
General Funds Invest. Tst. 5pcPf 1.75pc. Dbs. 2½ 3pc
Howard and Wyndham Lns 4¼pc
Hume Hldgs. 6pcPf. 2.1pc
Indust. and General Tst. Db. 1½pc (Cnv.) Intnl Thomson Org (with attached 1p shares of Thomson British) 5 cents Cnv.Red.Pf. 5.25p
Jamaica 7½pc 1977-79 3¾pc
Kleen-E-Ze 0.675p
Law Land 5pcPf 1.75pc
Lees (John J.) 0.6p
Leigh Interests 1.45p
Loys Foundries and Eng. 6pcPf 2.1p
London Brick Ln. 7pc
London County 5½pc 1982-84 2¾pc
Lucas Inds. Ln. 5¼pc
M and G Dny. Fund Income 3.882p
Moorgate Invests. 1.75p
Moorside Trust Db. 1½pc
National and Commercial Banking 1.565p
N. Surrey Water Dbs. 2 2½ 2¾ 3½pc
N Rhodesia 6pc 1978-81 3pc
Nyasaland 6pc 1978-81 3pc
Occidental Pet 31.25 cents
Peters Stores 1p
Quebec Central Railway Cap $2.5
Redland 2.551p
Royal Worcester Ln. 4½pc
Sandwell 13pc Red 1985 6½pc
Sangor (J. E.) 0.1p
Schlumberger 35 cents
Scottish Western Invest. 4½pcPf. 1.575pc. Db. 3pc
Second Great Northern Invest. Tst. 0.5p
Selection Trust 5p
Treasury Ln. 9½pc 1999 4¾pc 8½pc 1980-82 4¼pc
Treasury 13pc 1990 6½pc. 11½pc 1981 5¾pc
United Oceans Prog.Pf 3pc
Williams (W.) 0.5p
Witan Inv. 3.4pcPf 1.7pc

TOMORROW

COMPANY MEETINGS—
Bridport Gundry, The Court, Bridport, Dorset, 12
Carr (John), Watch House Lane, Doncaster, 11.
Leeds and District Dyers and Finishers, The Post House, Bramhope, Leeds, 12.
Muirhead, Hyde Park Hotel, W.C., 11.15.

BOARD MEETINGS—
Finals:
Gestetner
McMullen
SGB Group
Trident Television

DIVIDEND & INTEREST PAYMENTS—
Alliance Invests. 1.85p
Anglo American Secs. 4½pcPf. 1.575pc
Hazlewood Proprietary 1.65p
Lister 1p
Motorola 30cts
Northern Ind. Improvement Tst 1p
United Gas Industs. 1.1055p

WEDNESDAY JAN. 17

COMPANY MEETINGS—
Hanson Trust, Abercorn Rooms, Great Eastern Hotel, E.C., 11.30.

BOARD MEETINGS—
Finals:
Amatil
Anglia Television
Brooke Tool Engineering
Countryside Props.
Gough Cooper
Henlys
Lookers
Scottish American Invest.
Spencer Clark Metal
United States and General Trust
Whatlings

DIVIDEND & INTEREST PAYMENTS—
Bedfordshire 8¼pc Bds. Red. 17/1/79 £3.4860
Bournemouth 8¼pcBds. Red 17/1/79 £3.4860
British Steam Specialities 1.5p
Brownlee 0.528814p (inc. supp dist. of 0.028814p 25/3/78)
Carr's Milling Inds. 1.96p
Charnwood 8¼pcBds.Red 17/1/79 £3.4860
Colmore Invests 1p
Fenner (J. H.) 4.49p
Futura 7.06p
Leeds and District Dyers and Finishers 1.139p
Liverpool 8¼pcBds. Red. 17/1/79 £3.4860
Rexmore 1.395p
Sakers Finance and Inv. Corpn. 2 cents
Sogomana 2p
Surrey 6¾pc Bds. Red. 17/1/79 £3.4860
Tricoville 1.45p

THURSDAY, JAN. 18

COMPANY MEETINGS—
Ransome Hoffmann Pollard, Quaglino's, Bury Street, St James's, S.W., 12
United Wire, 27 Queen St, Edinburgh, 12.

BOARD MEETINGS—
Finals:
Associated Paper Inds.
Berisford (S. and W.)
Denbyware
East Daggafontein Mines
Grand Metropolitan
Lincroft Kilgour
MacKinnon of Scotland
Southvaal
United Guarantee
Vaal Reefs Expl. and Mining
Warner Estate
Western Deep Levels

DIVIDEND & INTEREST PAYMENTS—
Aberdeen 8⅞pc Bds. Red. (14/1/81) 4 7/16pc
Associated Tooling Inds 1.4p
Bremar Trust 1.1p
Castings 0.6p
Chester 8pcBds Red. 16/1/80 4pc
Colchester 9⅝pcBds Red 13/1/82 4 13/16pc
Derwentside 8⅞pcBds Red 14/1/81 4 7/16pc
Fine Art Developments 0.9p
Horsham 8⅞pcBds. Red. 14/1/81 4 7/16pc
Ingram (Harold) 1.44p
Maldon 8pcBds Red. 16/1/80 4pc
Melton 8⅞pcBds Red. 14/1/81 4 7/16pc
Milton Keynes 9⅝pcBds Red. 13/1/82 4 13/16pc
Morland 8.9144p
N Wolds 8⅞pcBds Red 14/1/81 4 7/16pc
Ogwr 10¾pcBds. Red. 12/1/83 5⅜pc
Rhymney 9⅝pcBds. Red. 15/7/81 4 13/16pc
S. Staffordshire 8pcBds Red 16/1/80 4pc
Southend-on-Sea 7½pcBds. Red. 18/7/79 3¾pc
Suffolk 8⅞pcBds Red. 14/1/81 4 7/16pc
Treasury 9½pc 1983 4¾pc
Tunbridge Wells 8pcBds Red. 15/1/80 4pc
View Forth Invest Tst. 0.65p
Wolverhampton Variable Rate Bds. Red 13/1/82 £6.500

FRIDAY JAN. 19

COMPANY MEETINGS—
Bellway, Royal Station Hotel, Newcastle upon Tyne, 11.30.

BOARD MEETINGS—
Finals:
Dewhurst and Partner
Raeburn Inv Trust

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mort Cpn. 14¼pcBds. Red. 19/1/79 7⅛pc
Allerdale 10pcBds. Red 25/7/79 5pc
Allied Retailers 1.06p
Barking 10pcBds. Red 25/7/79 5pc
Barlow Rand Ord. 21 cents
Bexley 10pc Bds Red (25/7/79) 5pc
Birmingham 10pcBds. Red. 25/7/79 5pc
Braintree 10pcBds Red. 25/7/79 5pc
Brent 10pcBds Red. 25/7/79 5pc
Carless Capel and Leonard 0.4115p
Carr (John) (Doncaster) 0.717p
Catalin 0.7249p
Doncaster 10pcBds. Red 25/7/79 5pc
E. Hampshire 10pcBds Red. 25/7/79 5pc
Essex Variable Rate Bds Red. 13/7/83 £5.6375
Firestone Tyre and Rubber 27½ cents
Fledgeling Invests Db 3½pc
Folkes (John) Hefo Ord and non-vtg. Ord 0.44p
Foster (John) 1p
Grampian 10pcBds Red. 25/7/79 5pc
Grand Central Invest 0.8p
Greater Manchester Variable Rate Bds Red. £5.6375
Greenwich 10pc Bds. Red (25/7/79) 5pc
Haringey 10pcBds Red. 25/7/79 5pc
Hillingdon 10pcBds Red 25/7/79 5pc
Kennet 10pcBds. Red. 25/7/79 5pc
Latham (James) 2.55p
Lennons 0.4719p
Liverpool 10pcBds. Red 25/7/79 5pc
London and Midland Industs. 2.85p
London Sumatra Plants. 2p
Luton Variable Rate Bds Red 13/7/81 £5.6375p
Metropolitan Police District 10pcBds Red 25/7/79 5pc
Offshore Mining Grd. Floating Rate 1986 $48.24
Parkland Textile Ord A 1.51875p (inc. supp. dist of 0.0275p 3/3/78)
Petaling Tin Berhard 18.76p
Preston 10pcBds Red. 25/7/79 5pc
Richmond-upon-Thames Variable Rate Bds Red. 13/7/83
Rowlinson Const. 0.18125p
St. Piran 1.5p
Ord. 2.07p (inc. supp. dist of 0.0346p 31/3/78)
South Crofty 1.575p
Southampton 11pcBds Red. 16/7/80 5½pc
Traford 11pc Bds. Red. (16/7/80) 5½pc
Tunbridge Wells 10pcBds Red 25/7/79 5pc
United Tin Areas 0.5p
United Wire 3.237p
Wandsworth Var. Rate 1983 £5.6358
Wansbeck 10pcBds. Red 25/7/79 5pc
Wells Fargo 35 cents
Yeovil Var. Rate Bds. Red. (15/7/83) £5.6375

SATURDAY JAN. 20

DIVIDEND & INTEREST PAYMENTS—
Ashfield 12⅞pcBds Red 16/7/80 6 7/16pc
Calderdale 12⅞pcBds Red. 16/7/80 6 7/16pc
Courage Dbs 1½ 3½ 4pc, Lns. 3¾pc. 5¼pc
Dover 13⅛pcBds Red 14/7/82 6 9/16pc
Ealing 12⅝pcBds. Red. 16/7/80 6 5/16pc
Elys (Wimbledon) Db 3½pc Ln. 4⅝pc
Higsons Brewery 2.1p
Newcastle upon Tyne 12⅝pcBds. Red. 16/7/80 6 5/16pc
Quaker Oats 30 cents
Spelthorne 12⅝pc Bds. Red (16/7/80) 6 5/16pc
Vale Royal 11⅝pcBds Red 18/7/79 5 13/16pc
Winchester 12⅝pcBds Red. 16/7/80 6 5/16pc
Wirral 11⅝pcBds. Red. 18/7/79 5 13/16pc

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Barnsley Metro. (0226 203232)	12	½-year	250	3-7
Burnley (0282 25011)	12⅜	½-year	500	5-7
East Lindsey (0507 5801)	12¼	½-year	2,000	3-10
Horsham (0403 64191)	12½	½-year	1,000	5-7
Horsham (0403 64191)	12¾	½-year	1,000	8-10
Knowsley (051 548 6555)	12½	½-year	1,000	6-10
Poole (02013 5151)	11¾	½-year	500	2-3
Poole (02013 5151)	12¼	½-year	500	5
Poole (02013 5151)	12½	½-year	500	6-7
Redbridge (01-478 3020)	12	½-year	200	4-5
Sefton (051 922 4040)	12	½-year	2,000	3-7
Wrekin (0952 505051)	12½	½-year	1,000	5-10

PLANT & MACHINERY SALES

Description	Telephone
ROLLING MILLS 5in x 12in x 10in wide variable speed Four High Mill. 3.5in x 8in x 9in wide variable speed Four High Mill. 10in x 16in wide fixed speed Two High Mill. 10in x 12in wide fixed speed Two High Mill. 17in x 30in wide fixed speed Two High Mill. 24in x 36in wide x 300 HP Two High Mill.	0902 42541/2/3 Telex 336414
1970 CUT-to-LENGTH max capacity 1,000 mm 2 mm x 7 tonnes coil fully overhauled and in excellent condition.	0902 42541/2/3 Telex 336414
STRIP FLATTEN AND CUT-TO-LENGTH LINE by A.R.M. Max. capacity 750 mm x 3 mm.	0902 42541/2/3 Telex 336414
FARMER NORTON 18in WIDE CUT-TO-LENGTH LINE. Max. capacity 15in x 10 s.w.g.	0902 42541/2/3 Telex 336414
RWF TWO-STAND WIRE FLATTENING AND STRIP ROLLING LINE, 10in x 8in rolls x 75 hp per roll stand. Complete with edging rolls, turk'n head, flaking and fixed recoiler, air gauging, etc. Variable line speed, 0/750ft/min and 0/1,500 ft/min.	0902 42541/2/3 Telex 336414
SLITTING LINES (2) 300 mm and 500 mm capacity.	0902 42541/2/3 Telex 336414
8 BLOCK (400 mm) IN LINE, NON-SLIP WIRE DRAWING machine in excellent condition. 0/2,000 ft/min variable speed. 10 h.p. per block (1968).	0902 42541/2/3 Telex 336414
24in DIAMETER HORIZONTAL BULL BLOCK by Farmer Norton (1972).	0902 42541/2/3 Telex 336414
PACEMAKER SIX BLOCK (22in x 25 h.p.) variable speed Wire Drawing Machine by Marshall Richards.	0902 42541/2/3 Telex 336414
2 15 Die MS4 WIRE DRAWING MACHINES, 5,000 ft/min with spoolers by Marshall Richards.	0902 42541/2/3 Telex 336414
9 DIE 1,750 ft/min SLIP TYPE ROD DRAWING MACHINE equipped with 3 speed 200 h.p. drive 20in. Horizontal Draw Blocks. 22in Vertical Collecting Block and 1,000 lb Spooler. (Max. inlet 9 mm finishing down to 1.6 mm copper and aluminium).	0902 42541/2/3 Telex 336414
7 and 9 ROLL FLATTENING & LEVELLING MACHINES. 20in, 36in & 72in wide.	0902 42541/2/3 Telex 336414
100 TON CAPACITY COINING PRESS by Taylor & Challen virtually unused—fully automatic 160 s.p.m. x 24 mm stroke.	0902 42541/2/3 Telex 336414
HYDRAULIC SCRAP BALING PRESS by Fielding and Platt. 85 ton main ram pressure	0902 42541/2/3 Telex 336414
TYPE 10004R CINCINNATI PLATE SHEAR. max. capacity 1,250 mm x 25 mm M.S. Plate, complete with full range of spares.	0902 42541/2/3 Telex 336414
No. 1 FICE SHEAR, max. capacity 50 mm rounds, 75 mm x 35 mm bar, 400 mm x 10 mm flats (spare shear blades).	0902 42541/2/3 Telex 336414
CAYMAN ALLIGATOR SHEAR, max. capacity 90 mm rounds, 300 mm x 40 mm bar and 600 mm x 16 mm flats (spare shear blades).	0902 42541/2/3 Telex 336414
CINCINNATI GUILLOTINE 2,500 mm x 3 mm capacity complete with magnetic sheet supports and motorised back stops.	0902 42541/2/3 Telex 336414
1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control.	0902 42541/2/3 Telex 336414
3 CWT MASSEY FORGING HAMMER— pneumatic single blow.	0902 42541/2/3 Telex 336414
COLE MOBILE YARD CRANE, 6-ton capacity lattice jib.	0902 42541/2/3 Telex 336414
WALDRICH COBURG HYDRAULIC PLANER capacity 160in x 50in x 50in. Almost new condition.	01-928 3131 Telex 261771
4,000 TON HYDRAULIC PRESS. Upstroke between columns 92in x 57in daylight 51in.	01-928 3131 Telex 261771
UPSET FORGING MACHINE 4in dia. 750 tons upset pressure.	01-928 3131 Telex 261771
WICKMAN 2¼in 6SP AUTOMATICS 1961 and 1963. EXCELLENT CONDITION	01-928 3131 Telex 261771
CINCINNATI CENTRELESS GRINDER. Excellent.	01-928 3131 Telex 261771
LINDNER JIG BORER, very accurate.	01-928 3131 Telex 261771
1500 TON CLEARING D A PRESS Bed 180" x 96".	01-928 3131 Telex 261771
200 TON VICKERS CLEARING PRESS Bed 36" x 40" Air Clutch & Brake as new	01-928 3131 Telex 261771
200 TON SCHULER HIGH SPEED PRESS Double roll feed, excellent.	01-928 3131 Telex 261771
WICKMAN 2¼" 6SP AUTOMATIC, reconditioned.	01-928 3131 Telex 261771
LUMSDEN GRINDER 36" dia magnetic chuck, reconditioned.	01-928 3131 Telex 261771
NATIONAL COLD HEADER ⅜" dia., recon.	01-928 3131 Telex 261771
200 TON TAYLOR & CHALLEN DEEP DRAWING PRESS, excellent condition	01-928 3131 Telex 261771
DEFMOR HEAVY DUTY LATHE 38" dia. x 10ft. well equipped, reconditioned.	01-928 3131 Telex 261771
CINCINNATI No. 3 HORIZONTAL MILL rebuilt.	01-928 3131 Telex 261771
INDEX B30 AUTOMATIC, rebuilt.	01-928 3131 Telex 261771
V.D.F. CENTRE LATHE 26" dia x 14ft Spindle Bore 5½"	01-928 3131 Telex 261771

CONTRACTS AND TENDERS

Tender Announcement for Nominated Sub-Contracts

The Government of the State of Qatar will shortly invite bids for the Nominated Sub-Contracts for the University of Qatar which is situated approximately 6 km north of Doha.

The University comprises approximately 73,000 square metres of low rise academic buildings of high quality located on a 14 hectare site.

The Sub-Contracts will comprise:

1. **Engineering Systems**
   - A. Mechanical.
   - B. Electrical
2. **Architectural Finishes**
   - A. Joinery and Associated Works
   - B. Applied Finishes. Suspended Ceilings and Decorations.
3. **Equipment**
   - A. Movable (furniture)
   - B. Fixed (fittings)
4. **Landscaping**

Applications to participate should be sent as soon as possible, but not later than 24th January, 1979 to

The Technical Adviser to His Highness the Amir,
The Amir's Office,
P.O. Box 923,
Doha, Qatar.

Copy to Ove Arup and Partners, 13, Fitzroy Street, London, W1P 6BQ.

The application must be accompanied by:

1. List of major projects recently completed, quoting value and date of completion.
2. List of current projects quoting value and percentage completion, with contract completion date.
3. Complete financial statement (audited) for the past five years.

Interested firms should have the turnover shown in the table below for each trade and documents will be available at the Amir's Office for prequalified bidders at the prices listed.

Sub-Contract	Turnover QR	Document Price QR
1. Engineering Systems		
A. Mechanical	160,000,000	10,000
B. Electrical	80,000,000	5,500
2. Architectural Finishes		
A. Joinery and Associated Works	90,000,000	5,500
B. Applied Finishes Suspended Ceilings and Decorations	45,000,000	3,000
3. Equipment		
A. Movable (furniture)	75,000,000	4,500
B. Fixed (fittings)	95,000,000	6,000
4. Landscaping	45,000,000	3,000

Firms must state in their replies the Sub-Contract in which they are interested.

Full details of incorporation of company, clarification of relationship of any proposed joint venture and name of local agent must be supplied. Firms not supplying any of this information may be excluded from participating.

The Main Contract period will be approximately 40 months, with an assumed commencement date of March 1979.

It is the intention to invite bids from a select list of pre-qualified bidders at dates which are appropriate for letting sub-contracts for each of the construction elements listed above. Tenders will be valid for 90 days after submission. Tender and performance bonds will be required. All sub-contracts will be let on a fixed-price basis.

TURKISH STATE RAILWAYS (TCDD)

The Chairmanship of Central Purchasing and Sales Commission Ankara — Gar/TURKEY

Tenders are invited for 11 DIESEL GENERATOR SETS of which the technical features are written in the specifications

1 — The above items are to be purchased through bids received from countries which are members of the World Bank and Switzerland.

2 — The bidding documents prepared for this purpose in Turkish and English can be purchased from TCDD's Central Cash Office in Ankara and Sirkeci Cash Office in Istanbul at a price of TL 350.

3 — The bids should be received by or handed in person to our commission not later than January 31, 1979, at 1500 hours, for a meeting at TCDD Supply Department on that date.

4 — TCDD shall be completely free whether to award contract(s) for all or some of the items to any bidder at its sole discretion.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Red.
9S	9M	Treasury 11½pc '79‡‡	99 15/16	3.8	11.50	11.69
17M	17S	Treasury 3pc '79‡‡	95¼	11.8	3.14	10.46
26M	26S	Electric 4¼pc '74-79	95⅞	21.8	4.43	10.49
1M	1N	Treasury 10½pc '79‡‡	99	25.9	10.60	11.75
15M	15N	Electric 3½pc '76-79	95⅝	9.10	3.66	9.03
3M	3S	Treasury 9pc 1980‡‡	97⅛	28.7	9.26	11.77
14N	14M	Treasury 9½pc '80‡‡	97⅛	9.10	9.78	11.88
15O	15J	Treasury 3½pc '77-80	94⅝	8.11	3.70	7.58
15O	15J	Funding 5¼pc '78-80‡‡	94⅝	8.11	5.55	9.39
25M	25N	Exchequer 13pc 1980‡‡	101	19.10	12.87	12.34
15J	15Ja	Treasury 11½pc 1981‡‡	98⅝xd	11.12	11.66	12.30
15F	15A	Treasury 3½pc 1979-81	89⅝xd	9.1	3.90	9.09
1O	1A	Treasury 9¾pc 1981‡‡	94½	25.8	10.31	12.65
12D	12J	Exch. 8¼pc 1981	91½	6.11	9.01	12.43
4F	4A	Exch. 9½pc 1981	93½xd	29.12	10.17	12.65
21F	21A	Exch. 3pc 1981	85⅝	17.7	3.50	9.35
17M	17N	Treas. Variable '81‡‡	97¾	11.10	12.57	13.46
23M	23N	Exch. 12¼pc 1981‡‡	100	17.10	12.75	12.71
15J	15Ja	Treas. 8¼pc '80-82‡‡	90¼xd	11.12	9.41	12.50

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
—		Antofagasta Rly	22	8.71	—	—
1J	1J	Do. 5pc Pref.	40	13.11	—	—
1J	1J	Chilean Mixed	98	2.10	—	f3.10
	—	Chinese 4½pc 1898	19	—	—	—
	—	Do. 5pc 1912	35	—	—	—
	—	Do. 5pc 1925 Boxer	18	—	—	—
1J	1O	German Yng. 4½pc.	415	4.12	4½	—

BONDS & RAILS—Cont.

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
1M	1N	Greek 7pc Ass.	50	1.11	3½	f7.20
1F	1A	Do 6pc 28 Stab. Ass.	49	1.8	6	f6.24
1A	1O	Do 4pc Mixed Ass.	40xd	2.1	4	f5.13
May 1		Hung. '24 Ass.	44	2.5	4½	f6.54
30J	31D	Iceland 6½pc '83-88	68	27.11	—	12.80
10J	10J	Ireland 7½pc '81-83	79¾xd	11.12	7½	13.66
1M	1S	Do 9¾pc '91-96	76	15.8	9¾	13.96
1J	1D	Japan 4pc '10 Ass	375	1.12	—	—
30J	31D	Do 6pc '83-88	67xd	2.1	6	12.20
1A	1O	Peru Ass. 3pc	135	2.10	3	2.25
30J	31D	S.G.I. 6½pc 1980	75pxd	2.1	6½	8.67
May 1		Turin 9pc 1991	$94½	2.5	9	9.53
15A	15O	Turin 6½pc 1984	DM91	16.10	6½	8.45
1F.M.A.N.		Uruguay 3½pc	97	1.11	3½	3.80

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

Dividends Paid	Stock	£	Last xd	Div. Gross	C'vr	Y'ld Gr's
Apr. Oct.	ASA	16⅞	3.11	$1.00	—	3.0
September	AMF 5% Conv. '87	59	15.9	5%	—	14.8
Ma.Ju.Se.De.	Amax $1	35⅛	3.11	$2.20	—	3.1
Ja.Ap.Jy.O.	American Express	22⅝xd	2.1	$1.60	—	3.6
F.My.Au.N.	Amer. Medic. Int.	23½xd	2.1	60c	—	128.9
December	Asarco Inc.	10⅞	6.11	40c	—	1.9
No.Fe.Ma.Au.	BakerIntnl. Corp. $1	24½	1.11	44c	—	1.3
Mr.Ju.S.D.	Barnes Grp. $6⅔	16⅞	27.11	$1.0	—	3.0
D.Mr.Ju.SP.	Bendix Corp. $5	27⅞	4.12	$2.56	—	4.6
M.Je.S.D.	Beth. Steel $8	15⅞	3.11	$1.00	—	3.2

CANADIANS

S.E. List Premium 43¾% (based on $2.3650 per £)

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
June	Dec.	Gerrard Natnl.	191	30.10	g9.12	—	7.1	—
May	Nov.	Gibbs (A.)	47	2.10	2.23	—	7.1	—
Mar	Aug.	Gillett Bros. £1.	220	7.8	15.41	—	10.5	—
June		Goode D't Mry.5p	19½	17.4	0.13	—	1.0	—
Nov.	April	Grindlays	131	21.8	2.79	7.1	3.2	4.7
April	Oct.	Guinness Peat	117	18.9	h5.15	—	6.6	—
Dec.	July	Hambros	190	27.11	†9.76	—	7.7	—
Dec.	July	Hill Samuel	85	13.11	†4.97	—	8.7	—
—		Do. Warrants	100	—	—	—	—	—
Sept.	Mar.	Hong Shng.$2.50	284	4.9	h059c	—	2.4	—
June	Nov.	Jessel Toynbee	62	30.10	g3.65	—	8.8	—
Jan.	June	Joseph (Leo) £1	150	27.11	8.74	—	8.7	—

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

Head Office: Bracken House, 10, Cannon Street, London EC4P 4BY

Telex: Editorial 886341/2, 883897. Advertisements: 885033. Telegrams: Finantimo, London.

Telephone: 01-248 8000.

Frankfurt Office: Frankenallee 68-72, 6000 Frankfurt-am-Main 1.

Telex: Editorial 416052. Commercial 416193. Telephone: Editorial 7598 234. Commercial 7598 1

INTERNATIONAL AND BRITISH OFFICES

EDITORIAL OFFICES

Amsterdam: P.O. Box 1296, Amsterdam-C. Telex 12171 Tel: 240 555

Birmingham: George House, George Road. Telex 338650 Tel: 021-454 0922

Bonn: Presshaus 11/104 Heussallee 2-10. Telex 8869542 Tel: 210039

Brussels: 39 Rue Ducale. Telex 23283 Tel: 512-9037

Cairo: P.O. Box 2040. Tel: 938510

Dublin: 8 Fitzwilliam Square. Telex 5414 Tel: 785321

Edinburgh: 37 George Street. Telex: 72484 Tel: 031-226 4120

Johannesburg: P.O. Box 2128 *Telex 8-6257 Tel: 838-7545*

Lisbon: Praca de Alegria 58-1D, Lisbon 2. Telex 12533 Tel: 362 508

Madrid: Espronceda 32, Madrid 3. Tel: 441 6772

Manchester: Queen's House, Queen Street. Telex 666813 Tel: 061-834 9381

Moscow: Kutuzovsky 14, Apartment 1, Moscow. Telex 7900 Tel: 243 1635

New York: 75 Rockefeller Plaza, N.Y. 10019. Telex 66390 Tel: (212) 541 4625

Paris: 36 Rue du Sentier, 75002. Telex 220044 Tel: 236.57.43

Rio de Janeiro: Avenida Pres. Vargas 418-10. Tel: 253 4848

Rome: Via della Mercede 55. Telex 610032 Tel: 678 3314

Stockholm: c/o Svenska Dagbladet, Raalambsvagen 7. Telex 17603 Tel: 50 60 88

Tehran: P.O. Box 11-1879. Telex 213930 Tel: 682698

Tokyo: 8th Floor, Nihon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku. Telex J 27104 Tel: 241 2920

Washington: 2nd Floor, 1325 E. Street, N.W., Washington D.C. 20004 Telex 440340 Tel: (202) 47 8676

ADVERTISEMENT OFFICES

Birmingham: George House, George Road. Telex 338650 Tel: 021-454 0922

Edinburgh: 37 George Street. Telex: 72484 Tel: 031-226 4139

Leeds: Permanent House, The Headrow. Tel: 0532 454969

Manchester: Queen's House, Queen Street. Telex 666813 Tel: 061-834 9381

New York: 75 Rockefeller Plaza, N.Y. 10019 Telex 238409 Tel. (212) 489 8300

Paris: 36 Rue du Sentier, 75002. Telex 220044 Tel: 236.86.01

Tokyo: Kasahara Building, 1-6-10 Uchikanda, Chiyoda-ku. Telex J27104 Tel: 295 4050

Overseas advertisement representatives in Central and South America, Africa, the Middle East, Asia and the Far East. For further details, please contact: Overseas Advertisement Department, Financial Times, Bracken House, 10, Cannon Street, London EC4P 4BY

SUBSCRIPTIONS

Copies obtainable from newsagents and bookstalls worldwide or on regular subscription from Subscription Department, Financial Times, London

For Share Index and Business News Summary in London, Birmingham, Liverpool and Manchester. Tel: 246 8026

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div. Net	C'vr	Y'ld Gr's	P/E
July	Nov.	Hill (Chas.) £1	92	15.5	7.37	—	‡	—
Nov.	Apr.	Hirst Mal'son 20p	35½	21.8	1.83	2.9	7.7	(5.2)
Nov.	Aug.	Holden (A.)	78	27.11	g3.62	3.9	6.9	6.2
Feb.	Sept.	Hollis Bros	68	24.7	4.56	◆	10.2	◆
Dec.	July	Holt Lloyd Int. 10p	165	16.10	7.11	2.8	6.4	12.0
Apr.	Sept.	Hoover 'A'	220	21.8	15.04	2.0	10.2	7.5
Dec.	July	Hopkins & H 20p	145	2.10	10.39	2.8	10.7	12.4
Feb.	Oct.	Howard Tenens	27	11.12	2.91	1.9	10.5	6.2
Nov.	July	Hunting Assoc.	292	16.10	12.99	9.2	1.5	10.7
May	Nov.	Huntleigh 10p	57	18.9	0.68	7.0	1.8	12.2
December		Hutch Whamp $HK0	67	15.5	020c	2.3	3.5	13.8
Oct.	July	Hyman (I. & J.) 5p	26	18.9	0.97	3.9	5.5	7.2
Ap.Jy.O.Ja.		I.C. Industries$1	£18⅛	28.2	0$1.52	—	4.2	—
July	Feb.	ICL £1	430	30.6	8.29	7.4	2.9	5.1
April	Sept.	Imp. Cont. Gas £1	378	7.8	9.94	3.5	4.1	8.6
May	Nov.	Ingall Inds. 10p	30	16.10	1.87	1.6	9.3	10.0
Jan.	Aug.	Initial Services	93xd	2.1	5.06	2.8	8.1	6.3
Dec.	June	Inter-City 20p	16½	30.10	0.61	2.7	5.5	10.1
Mar.	Dec.	James (John)	49	21.8	d2.76	2.8	8.4	4.8
June	Jan.	James (M.) Ind. 20p	16	27.11	d1.02	1.3	9.5	11.8
Nov.	June	Jardine M. $HK5	187	25.4	071c	2.3	4.3	10.7
Apr.	Dec.	Jentique	30½	16.10	2.22	◆	10.9	◆
—		Johnson & Barnes	9½	1175	—	—	—	—
Oct.	Apr.	Johnson Clns.	138½	4.9	3.95	4.0	5.0	5.5
Feb.	Aug.	Johnson Mthy. £1	477	11.12	13.83	3.4	4.3	9.6
Oct.	June	Jourdan (T.) 10p	38	18.9	2.93	2.7	11.5	4.1
May	Dec.	Kalamazoo 10p	37	17.4	2.16	1.8	9.0	9.1
Jan.	July	Kelsey Inds.	125	11.12	3.61	◆	4.3	◆
Apr.	Dec.	Kennedy Sm. 10p	47	18.9	2.77	3.1	5.7	9.3
Nov.	April	Kershaw (A.) 5p	£32½	4.9	16.24	2.0	1.9	(1.9)
Jan.	Aug.	Kleen-E-Ze Hldgs.	78	11.12	4.33	2.2	8.3	8.3
Jan.	Aug.	L.C.P. Hlds.	104	27.11	4.85	2.9	7.0	7.2
Dec.	Aug.	L.K. Ind'l. Invs.	39	27.11	d2.64	3.0	10.1	5.7
Apr.	Jan.	L.R.C. Int. 10p	34	21.8	2.23	1.6	10.1	8.3
May	June	Laudex	87	13.11	3.22	5.2	5.5	3.7
July	Nov.	Lead Inds. 50p	152	16.10	7.48	3.9	7.3	6.2

INSURANCE

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

MINES—Continued

AUSTRALIAN

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Acmex 25c	13	—	—	—	—
Nov.	Apr.	Bougainville 50 Toea	150	14.3	†08c	1.4	3.3
—		BH South 50c	118	974	—	—	—
—		Central Pacific	450	—	—	—	—
Oct.	May	Conzinc Riotinto 50c.	300	14.3	†Q10c	2.2	‡
—		Cultus Pacific N.L.	26	—	—	—	—
—		Endeavour 20c	21	—	—	—	—
—		G.M. Kalgoorlie $1	62	6/67	—	—	—
—		Haoma Gold N.L.	38	—	—	—	—
September		Hamptn Areas 5p	150	10.7	43.55	2.8	3.5
—		Metals Ex. 50c	27½	—	—	—	—
Dec.	Apr.	M.I.M. Hldgs. 50c	228	16.10	Q9c	1.7	2.4
—		Minefields Expl.	15	—	—	—	—
—		Mount Lyell 25c	50	—	—	—	—
—		Newmetal 20c	35	—	—	—	—
June	Nov	North B. Hill 50c	117	13.11	Q8c	1.3	4.2
—		Nth. Kalgurli	11	—	—	—	—
—		Nth. West Mining	30	—	—	—	—
June	Nov.	Oakbridge SA1	133	7.4	Q12c	1.9	9.9
—		††Oilmin N.L.	22	—	—	—	—
—		Pacific Copper	70	—	—	—	—
—		Pancont'l 25c	750	—	—	—	—
—		Paringa M&Ex.5p	17½	—	—	—	—
Apr.	Oct.	Peko-Wallsend 50c	483	19.9	Q15c	◆	1.9
—		Southern Pacific	173	—	—	—	—
Oct.	May	Westn. Mining 50c	154	4.9	Q3c	8.7	1.2
—		Whim Creek 20c	65	—	—	—	—

TINS

COPPER

MISCELLANEOUS

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Feb.	Aug.	Buffels R1	$18¼xd	2.1	Q170c	1.8	18.7
Aug.	Feb.	East Drie R1	890cxd	2.1	†Q78c	1.7	10.1
Aug.	Feb.	East Rand Prp. R1	350cxd	2.1	—	—	—
June	Dec.	F.S. Geduld 50c	$18¾	30.10	Q315c	◆	19.9
June	Dec.	Pres. Brand 50c	$11⅛	30.10	Q150c	◆	15.6
May	Nov.	St. Helena R1	$10⅜	2.10	Q190c	◆	21.1
Aug.	Feb.	Stilfontein 50c	410cxd	2.1	†Q22c	2.3	6.2
Aug.	Feb.	Vaal Reefs 50c	$18¾	7.8	Q115c	3.3	7.3
Feb.	Aug.	West Drie R1	$28¾xd	2.1	Q385c	1.7	15.4
June	Dec.	West Hldgs. 50c	$22¼	2.5	Q415c	◆	21.5
Feb.	Aug.	Western Deep R2	$10⅝	7.8	Q82.5c	2.4	9.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- △ Sterling denominated securities which include investment dollar premium.
- ■ "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 21

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......
Ash Spinning	75	......
Bertam	13	......
Bdg'wtr. Est. 50p	325	......
Clover Croft	28	......
Craig & Rose £1	615	......
Dyson (R. A.) A	35	......
Ellis & McHdy	69	......
Evered	24	......
Fife Forge	52	......
Finlay Pkg. 5p	21	......
Graig Ship. £1	140	......
Higsons Brew	70	......
Holt (Jos) 25p	252	......
I.O.M. Stm. £1	223	+3
N'thn. Goldsmith	80	......
Pearce (C. H.)	198	......
Peel Mills	22½	......
Sheffield Brick	52	......
Sheff. Refrshmt	70	......
Sindall (Wm.)	120	......
IRISH		
Conv. 9% '80/82	£90	......
Alliance Gas	100	......
Arnott	400	......
Carroll (P.J.)	93xd	−2
Clondalkin	95	......
Concrete Prods.	143	......
Heiton (Hldgs.)	45	......
Ins. Corp.	170	+5
Irish Ropes	102xd	......
Jacob	54	......
T.M.G.	175	+5
Unidare	85	......

OPTIONS
3-month Call Rates

Industrials	
A. Brew.	6½
A.P. Cement	18
B.S.R.	9
Babcock	11
Barclays Bank	25
Beecham	35
Boots	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	12
Cadburys	5
Courtaulds	10
Debenhams	8
Distillers	15
Dunlop	7
Eagle Star	11
E.M.I.	14
Gen. Accident	17
Gen. Electric	18
Glaxo	40
Grand Met.	9
G.U.S. 'A'	20
Guardian	18
G.K.N.	22
Hawker Sidd.	20
House of Fraser	12
I.C.I.	20
"Imps"	6
I.C.L.	20
Inveresk	8
KCA	3
Ladbroke	17
Legal & Gen.	14
Lex Service	7
Lloyds Bank	22
"Lofs"	4
London Brick	5
Lonrho	5
Lucas Inds.	25
Lyons (J.)	10
"Mams"	7
Mrks. & Spncr	10
Midland Bank	25
N.E.I.	12
Nat. West Bank	22
Do. Warrants	10
P & O Dfd.	8
Plessey	8
R.H.M.	5
Rank Org 'A'	18
Reed Intnl.	12
Spillers	3
Tesco	4
Thorn	22
Trust Houses	15
Tube Invest.	30
Unilever	35
Utd. Drapery	7½
Vickers	15
Woolworths	5
Property	
Brit. Land	3½
Cap. Counties	4½
E.P.	5
Intereuropean	4
Land Secs.	16
MEPC	12
Peachey	8
Samuel Props.	9
Town & City	1¼
Oils	
Brit. Petroleum	45
Burmah Oil	5
Charterhall	3
Shell	28
Ultramar	20
Mines	
Charter Cons.	12
Cons. Gold	14
Rio T. Zinc	16

هكذا من الأصل

FINANCIAL TIMES
Monday January 15 1979

EEC move to check state aid to industry

BY GILES MERRITT IN BRUSSELS

A CONTROVERSIAL move that would directly challenge EEC member governments' sovereignty in two important areas is being contemplated by the European Commission.

At their meeting on January 24 the 13 commissioners are to discuss the unilateral imposition by the Commission of a directive that would force the governments of the Nine to notify Brussels of their financial transfers to public enterprises.

The plan envisages taking advantage of the Rome Treaty's so far unused Article 90, which empowers the Commission to bypass the Council of Ministers and introduce its own directives in the field of public undertakings.

The use of Article 90 would, however, almost certainly result in an open clash between the Commission and the French, Italian and British governments, and could easily spark a damaging row throughout the Community over the Commission's role and powers.

Britain, France and Italy have already made it clear in three meetings with the Commission that the present draft directive is wholly unacceptable.

All three governments see the notification procedure as a comparatively short interim phase leading to the Commission's further use of Article 90 to impose powers under which it would vet public financing policies.

Commission officials have indicated that if the draft directive is adopted, "profitability criteria" would eventually be applied to the financing of public enterprises.

The funding of domestic industry would not be affected so much as the subsidising of such international industries as steel and shipbuilding, where trade distortions can occur.

It is also understood that some sections of the Brussels Commission see the initiative as a means of encouraging the rationalisation of over-capacity industries.

Commission lawyers are studying the possibility of including coal and steel—covered separately by the Treaty of Paris—in the sectors that would be covered by the new directive. Posts and telecommunications services, electricity, railways and airlines have been exempted.

Oil and gas are included, however, despite determined British efforts to have them dropped from a list that in different countries ranges from the motor and aircraft industries to shipbuilding and banking.

Backing for the Commission's draft directive—which would entail pre-notification to Brussels of every transfer of state money to all public enterprises not exempted — is believed to be coming from West Germany, Denmark, Holland and Belgium, where the degree of state participation is comparatively low.

Whether those EEC member governments would countenance the European Commission's use of Article 90 remains to be seen. France, Italy and the UK are examining legal doubts that surround it. The Commission may instead employ Article 94 to avoid a political debate on its powers.

Article 94 provides for the Council of Ministers to rule on a Commission proposal by a qualified majority and was the procedure used in March 1977 to pass the fourth directive on competition policy that gave Brussels the power to vet direct Community aids to shipbuilding industries.

From the Commission's point of view, the difficulty with Article 94 is that opposition from three of the EEC's four largest members would probably preclude a qualified majority of 41 votes out of the 58 in the Council.

Braniff expects to increase Concorde flights

BY MICHAEL DONNE IN DALLAS

BRANIFF, the U.S. international airline, which began joint Concorde services with British Airways and Air France between Washington and Dallas/Fort Worth in Texas last Friday is planning to expand its Concorde operations this year.

Its main aim is to begin Concorde supersonic flights between New York and points on its South American network such as Lima and Santiago via Panama City. Another possible route is Los Angeles to Lima.

The airline believes that these could be ideal Concorde routes involving mostly supersonic flights with only a brief subsonic sector across the Isthmus of Panama, after a refuelling stop in Panama City.

No date has been fixed for these new Concorde operations. Braniff wants to "get the feel" of Concorde for a few months on its sub-sonic Washington to Dallas/Fort Worth sector before committing itself.

But both Mr. Harding Lawrence, the chairman of Braniff, and Mr. Russel Theyer, the president and chief operating officer of the airline, have told me here over the last few days that it is not a question of whether the airline expands its Concorde activities but when.

One of the restraining factors is the availability of aircraft. British Airways is already extensively committed with its fleet of five aircraft on its existing routes to Washington, New York and Bahrain, and now also to Dallas/Fort Worth, with flights to Singapore jointly with Singapore Airlines resuming on January 24.

Braniff is, therefore, showing considerable interest in the possibility of British Airways taking over the remaining two Concordes still to come off the UK assembly line raising the fleet to seven aircraft, which would allow Braniff to lease an aircraft.

Braniff is not the only airline showing increasing interest in Concorde. Another big U.S. domestic operator, Continental Airlines, is understood to have had preliminary talks with British Airways on a possible inter-change deal along the lines of that which Braniff has with British Airways, while Pan-American is also viewing the aircraft more favourably.

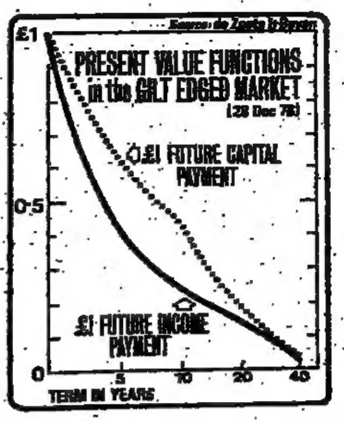
There is now considered to be virtually no chance of any individual airline buying a Concorde outright—partly because of the high initial purchase cost of over $50m per aircraft and also because only British Airways and Air France are capable of undertaking the complex maintenance work.

British Airways says that its agreement with Braniff is expected to raise the number of passengers on each Washington to London transatlantic sector to an average of 80 for each flight and produce an extra £3.3m of revenue a year.

THE LEX COLUMN

Computerising the gilts market

In the gilt-edged market it is only a short step from mathematical innovation to commercial exploitation. Last week brokers de Zoete and Bevan launched their new gilt-edged price model which is designed to turn anomaly switching into a scientific process. Soon a different version of the same approach is to be introduced by the market leaders W. Greenwell, who are rumoured to be promising a technical breakthrough at the short end of the market.



Outdated techniques

Two developments have spurred these innovations. The first has been the mounting difficulty faced by gilt market technicians in pursuing conventional valuation techniques. Redemption yields and yield curves have been unable to cope with the huge spread of coupons which now afflict the market: redemption yields on stocks with a life of 20 years (or thereabouts) range from 9.9 to 13.7 per cent. Attempts to break the market down into segments, according to the size of the coupon, as has been done in the FT-Actuaries series of gilt-edged indices, have only provided a partial answer.

The second factor was the publication last year of a paper on mathematical models of the gilt-edged market by Mr. Robert Clarkson, investment manager of the Scottish Mutual. This paper is to be discussed at the Institute of Actuaries on January 22. Long before the stockbrokers came on to the scene Mr. Clarkson had developed his own computer model for the long end of the gilt-edged market.

The need to devise new solutions to the problem of bond valuations has sent the analysts back to basics. A gilt-edged security can be viewed as representing a stream of half-yearly coupon payments together with a final redemption payment on a specific date in the future. These payments, discounted at the appropriate rate of discount, should add up to the market price.

The rate of discount used in the past has been the redemption yield, and the increasing problem has been that it has been necessary to use different rates of discount to give sensible answers—even for stocks with exactly the same life to redemption. The new concept is that different rates of discount should be applied to the income and capital payments. For each half-yearly interest payment there is an appropriate discount rate, according to an income yield curve, and for the final redemption payment there is also a specific discount rate (which is generally lower than for income payments on the same date).

The sense behind this is that investors, largely but not wholly for tax reasons, place a different value on income and capital flows. It is logical that the same payments on the same day by different stocks should be worth the same. But because the pattern of income and capital varies for different stocks, the overall value can vary, and so can the conventional gross redemption yield.

In fact the de Zoete model works on the basis of present value functions rather than rates of discount, which are not explicitly calculated. It is postulated that there are two functions implied by the overall structure of the gilt-edged market, and these are derived from each day's price data—the computer model uses 12 parameters to describe the whole of the market. On the basis of the present value functions, theoretical prices can be computed for all stocks. Then it is just a question of checking the divergence of actual from theoretical prices to arrive at relative cheapness and dearness.

Complications

Well . . . no. The real world, unfortunately, is never quite as simple as that. On one day last week the de Zoete model was suggesting that Treasury 14 per cent, 1982, was 2 per cent too dear, that Treasury 8¼ per cent, 1995-98 was 2 per cent too cheap, and that War Loan was overvalued [illegible] per cent. But de Zoete are not pinning their flag to these crude figures. Many stocks, they argue, are affected by special factors. Another way of looking at it is to say that the model is not sophisticated enough to reflect all the market's complications.

One quirk of the UK Government bond market, for instance, is that yields vary according to the level of the coupon. A premium is placed on very low coupon stocks by investors looking for capital gains, and a premium is also evident in the highest coupon gilts which are attractive to income seekers. In between, the medium coupon stocks tend to get neglected. This non-linearity has been incorporated in the Clarkson model used by Scottish Mutual but is not recognised by the de Zoete version.

So for the de Zoete model to be at all useful the crude deviations have to be refined. This is done by calculating an average deviation for each stock over a recent period—which represents the effect of the special factors applying in each case—and adjusting the model price. Any deviations that are left should represent fluctuations around the normal market valuation and therefore imply cheapness or dearness.

Percentage game

The results are not, to the casual observer, very exciting. Apart from cases like Conversion 3½ per cent, which seems to defy analysis, the deviations are relatively small—as indeed one would expect them to be in an efficient market. Selling a stock which is ½ per cent dear and switching into one which is ½ per cent cheap is not a path to quick riches. Yet it is an objective which is of great interest to institutional fund managers who all too often find it hard to beat the indices by even small percentages.

Big profits can only be made by taking views on the market as a whole—whether to be in or to be out. But taking a view on the big picture can be very risky, and the appeal of valuation models is that they purport to offer very low risk ways of achieving enhanced performance.

The snag is that if such models achieve popularity and if they all produce similar results, then the anomalies will surely disappear like melting snow. But enthusiasts like Mr. Clarkson do not accept this. They argue that there will always be enough people operating on a different investment view, or switching for tax reasons, to make anomalies a permanent and potentially profitable feature of the gilt-edged market.

Deals by oilmen boost Carter's pay guidelines

BY JOHN WYLES IN NEW YORK

STRONG behind-the-scenes pressure on U.S. oil companies, allied to the relatively weak bargaining power of the union involved, has helped the Carter Administration win its first success for the President's anti-inflation pay guidelines.

After a week of increasingly obvious reluctance to push for a guidelines-busting settlement, leaders of 60,000 oil refinery workers have reached pace-setting deals with Gulf Oil and Standard Oil-Indiana (Amoco). The agreements are expected to be applied by 100 oil companies operating 411 plants.

Gulf Oil testified at the weekend to the powerful pressures exerted by the Administration to encourage the oil companies to stick close to the guidelines limiting average pay rises to 7 per cent a year.

Officials appear to have left the Oil, Chemical and Atomic Workers' Union alone, not least because the union needed no reminding of its relative weakness. A national strike against the pay limit would have had virtually no impact on refinery output, which could, and would, have been maintained by supervisory staff.

Two other factors helped secure the settlements. In response to a union request Gulf and Amoco tabled offers for flat rate pay rises instead of a percentage increase on basic rates. They also offered a contract re-opening clause at the end of the first year of the two-year contract, which could enable the union to take advantage next year of any change in the guidelines or the general direction of Government policy.

The resulting agreements will give the oil workers increases amounting to 8 per cent in the first year and 5 per cent in the second year and will be subject to renegotiation at the beginning of next year.

Although the renegotiation clause will cause some fluttering in the Administration, this will be outweighed by the clear satisfaction of having driven the guidelines through their first major test since they were unveiled at the end of last October.

But officials will be cautious about predicting similar success with the crucial lorry drivers' negotiations, which start in earnest next week.

The Teamsters' Union will pose a far sterner test than the oil and chemical workers and its members have powers of economic disruption comparable to those currently being wielded by British lorry drivers.

● Volkswagen of America has been given U.S. Government approval under the anti-inflation guidelines to boost its new car prices by an average of 3.9 per cent.

Heinz to phase out factory at Wigan

BY RHYS DAVID

HEINZ is to phase out its Standish factory at Wigan, where 1,150 people are employed, in order to concentrate its northern production at Kitt Green, another plant in the town.

The closure will take place over three years and redundancies will be reduced by natural wastage and some transfers to Kitt Green, which now employs 2,650 people.

About £7.5m is to be invested by Heinz at Kitt Green and at its other factory at Harlesden, both of which will take over some lines now being turned out at Standish, with the bulk of the money being spent in the North.

The company says the closure is necessary to reduce overhead costs.

Heinz, like other food manufacturers, has been affected by sluggish demand, particularly for convenience foods, and by price competition and over-capacity within the industry. Other cuts are being made within the group, including closure of some administration and warehouse operations.

The Standish plant was bought in 1846 and was originally intended for closure after the opening of the Kitt Green plant in 1959. The buildings are now considered unsuitable and the equipment outdated.

Britain seeks trade agreement with China for up to £15bn

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

BRITAIN is hoping to sign a trade agreement with China which could be as high as £15bn following the visit there next month by Mr. Eric Varley, Industry Secretary.

The agreement would cover about five years and signal China's desire to nominate British industry as a major contractor at the outset of the huge industrialisation programme.

The next two years, however, are seen as vital if Britain is to win a sizeable stake in China's long-term development.

It is hoped, therefore, that Mr. Varley's visit will enable substantial progress to be made on a number of contracts under discussion between industrialists and Chinese officials.

The Prime Minister has made it clear that an industrial package is an essential counterpart to Britain agreeing to let China have the Harrier, and a commitment will be sought from the Chinese when the Government mission led by Mr. Varley arrives next month.

Competition from Japan, Germany, France, Italy, and increasingly the U.S., is intense and all these countries have already had significant success in being awarded large contracts by China. Several British industry missions are in China now, or will be going shortly.

The most advanced discussions are those being held by the British Steel Corporation and Davy International, and it is thought that these could lead to heads of agreement being signed during the Varley visit for the modernisation of two steel plants, worth £600m.

Other areas where Britain is hoping to gain contracts include:

Power stations—A delegation from GEC and Northern Engineering Industries has just gone to China for discussions on its requirements for four coal-burning power stations.

Aerospace — As well as the Harrier, China is looking for help in building up its own aerospace industry, including components. Britain already has a successful start with the Spey engine being built in China under licence from Rolls-Royce.

Non-ferrous metals: A delegation from Consolidated Gold fields, Selection Trust and Rio-Tinto Zinc went to China last week to discuss feasibility studies for the development of China's resources of copper, manganese, lead, zinc, titanium and bauxite.

Railways: A big modernisation and electrification of China's railways system is planned.

Ships: China has expressed interest in buying ships both naval and merchant from Britain and a delegation is due shortly to discuss this further.

Mining and equipment: The National Coal Board has been asked to undertake feasibility studies of two big coal mines.

Continued from Page 1

Cabinet seeks agreement

some 1.5m workers in local authorities and hospitals are already due for a Phase Four settlement, the declared aim is to stick to 5 per cent, and to appease the undoubted militancy by setting up a pay inquiry that would produce more money later.

Some Ministers are arguing in private, however, that a more realistic solution would be to allow an increase of, say 7 to 9 per cent for these workers, and for the powerful unions in key nationalised industries like coal and electricity.

Cash limits problem

By Peter Riddell

The Government faces considerable political and administrative difficulties if it is forced to concede pay increases of more than 5 per cent in the public sector. This is because of the timing of the fixing of cash limits and as a result of changes in the system of Parliamentary estimates now being introduced.

Mr. Denis Healey, the Chancellor, said last week that the cash limits for 1978-79 would be based on the Government's 5 per cent pay guidelines, effectively implying a 7 to 8 per cent rise in average earnings.

These assumptions were built into last November's Treasury forecasts. They have already been reflected in the rate support grant settlement for the coming financial year—thus affecting local authority manual workers—and are now being included in the cash limits for central Government and public corporations.

This rules out any scope for assessing the going rate for settlements in the private sector; and then offering this in the public sector and starting-off with higher adjusted cash limits.

A further element of inflexibility has been introduced this year because cash limits are being assimilated with the traditional Parliamentry supply estimates. This means that the limits have to be confirmed now for the estimates to be published between mid-February and the beginning of the financial year in April.

Weather

U.K. TODAY

MOSTLY DRY with bright intervals after a misty start. Some sleet or snow in the North.

London, S.E., Cent. S. England, Midlands

Mostly dry with bright intervals. Max. 7C (45F).

E. Anglia, E., N.E. England, S., E. Scotland, Highlands

Some sleet or snow dying out. Bright intervals later. Max. 6C

Channel Islands, W. England, Wales, Lakes, Isle of Man, Argyll, Cent. Scotland, Western Islands, N. Ireland

Dry, some bright intervals, occasional rain. Coastal drizzle and fog patches. Max. 10C

Scottish Islands

Cloudy with occasional sleet or snow. Max 5C (40F).

Outlook: Dull with some rain. Becoming colder and drier later.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amsdm.	S	3	37	Luxmbg.	S	−4	25
Athens	F	8	46	Madrid	S	11	52
Bahrain	S	18	64	Mnchstr.	C	2	36
Barclna.	C	8	46	Melbne.	C	37	99
Beirut	S	18	64	Mex. C.	S	19	67
Belfast	R	4	39	Milan	S	−2	28
Belgrd.	Sn	−1	30	Mntreal.	Sl	−6	21
Berlin	Sn	0	32	Moscw.	Sn	−9	16
Bmghm.	R	1	34	Munich	Sn	−3	27
Bristol	R	4	39	Newcstl.	C	−2	28
Brussels	F	−2	28	N. York	R	4	40
Budpst.	C	0	32	Oslo	F	−6	21
B. Aires	S	30	86	Paris	F	−4	25
Cairo	S	21	71	Perth	S	32	90
Cardiff	R	5	41	Reykjvk.	F	0	32
Chicago	S	−17	1	Rio J'o	S	31	88
Cologne	S	0	32	Rome	S	8	46
Cpnhgn.	S	−3	27	Singapr.	S	29	87
Dublin	C	8	46	Stckhm.	C	−1	30
Ednbgh.	C	0	32	Strasbg.	F	1	34
Frankft.	Sn	1	34	Sydney	S	28	82
Geneva	S	−1	30	Tehran	S	0	32
Glasgow	Sn	0	32	Tel Aviv	S	19	66
Helsinki	C	0	32	Tokyo	S	5	42
H. Kong	C	18	64	Toronto	Fg	1	34
Jo'burg	S	26	79	Vienna	F	1	34
Lisbon	S	11	52	Warsaw	C	−5	23
London	C	4	39	Zurich	F	−2	28

HOLIDAY RESORTS

		°C	°F			°C	°F
Ajaccio	S	9	48	Jersey	R	3	37
Algiers	S	15	59	L. Pims.	S	20	68
Biarritz	C	10	50	Locarno	S	6	43
Blackpl.	R	1	34	Majorca	C	11	52
Bordx.	S	5	41	Malaga	S	16	61
Boulgn.	C	1	34	Malta	C	9	48
Cas'b'ca	F	18	64	Nairobi	R	20	68
Cape T.	S	27	81	Naples	F	6	43
Corfu	S	9	48	Nice	S	8	46
Dbrvnk.	F	5	41	Nicosia	F	19	66
Faro	S	15	59	Oporto	S	14	57
Fl'ence	S	6	43	Rhodes	R	14	57
Funchal	R	14	57	Salzbrg.	Sn	−2	28
Gibrltr.	C	16	61	Tangier	S	18	64
G'nsey	R	4	39	Tenerife	S	13	55
Innsbrk.	C	−3	27	Tunis	F	13	55
Invrnss	C	−7	19	Valencia	F	13	55
I.o.Man	R	4	39	Venice	S	5	41
Istanbul	S	6	43				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

Brokers agree $13m out-of-court settlement

BY JOHN MOORE

ONE OF THE top three U.S. insurance brokers, Frank B. Hall, is to pay $13m (£6.5m) to Unigard Mutual Insurance Company, an American insurance group, following an out-of-court settlement of a major international reinsurance row.

But in a surprise move Hall is to be assisted in its payment to Unigard by a $1m (£500,000) contribution from a Lloyd's of London approved insurance brokers, Stewart Wrightson, a subsidiary of the publicly-quoted group Matthews Wrightson.

Because of the size of the payment, which is to be made over five years, Matthews Wrightson is likely to make an announcement to shareholders when it reports preliminary results in April. It is planned to show the item in the group's annual accounts in May.

Two Lloyd's brokers, a subsidiary of Thomas Nelson Insurance and Oakeley Vaughan, the Philadelphia Manufacturers' Mutual Insurance Company, and a host of other reinsurance specialists were involved in the dispute. It centred on a large number of aviation reinsurance contracts.

Hall, which produced the original business for Unigard, acted as reinsurance brokers and arranged reinsurance cover for the company on the aviation contracts. But when claims came in at a far higher level than expected, Unigard found that reinsurers were reluctant to settle.

Legal battles followed between most of those involved over the terms and type of contract, as well as the manner of the placing of the business. Hall explained in its last accounts that Unigard had insisted that Hall would be liable, if the reinsurance contract was found to be wholly or partially "ineffective." If, Unigard alleged, there was "negligent failure" by Hall in negotiating an "enforceable policy of reinsurance on behalf of Unigard" damages would be sought for $14m "with interest." Hall rejected the allegations, and as part of the settlement Unigard has dropped its assertions.

An out-of-court settlement emerged on December 16 at a 3 am meeting at Hall's London solicitors, Linklaters and Paines, as another legal deadline neared.

The case was due to come before a London court five days later.

Stewart Wrightson, although not one of the litigants in the case, had been mentioned in the legal pleadings of those involved in the dispute. Wrightson had produced a large amount of the initial business in the early '70s which was eventually disputed for Hall through its Los Angeles office, Stewart Smith Haidinger.

Wrightson felt that a payment was appropriate. Meanwhile Hall is hoping to reduce the gross amount due to Unigard by recovering further amounts from other parties involved in the action.

Mr. Albert Tahmoush, Hall's chairman, said that this was not the first time there had been differences of opinion about the liability on reinsurance agreements. He added: "Because the solicitors' costs are a bit bigger than my salary or yours, we thought it was practical to settle. I was glad the industry was able to get together and put the matter to bed."

● Hall completed its restructuring last week of Lloyd's broker Leslie and Godwin, following its takeover of Leslie last summer. To satisfy the Committee of Lloyd's ruling about the control of Lloyd's brokers Rothschild Investment Trust is holding 75 per cent of Leslie's Lloyd's interests.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.